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DOCKET SECTION

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

QA 29503

In Re

Advance Notice of Proposed Rulemaking)
Computer Reservation System Regulations)
Notice No. 97-9)

) Docket No. OST-97-2881-*49*

COMMENTS OF THE SABRE GROUP, INC.

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COMMENTS OF THE SABRE GROUP, INC.

The SABRE Group, Inc. ("SABRE"), which distributes the SABRE Computer Reservation System ("CRS") through its operating divisions SABRE Travel Information Network and SABRE Interactive, respectfully submits the following comments in response to the Advance Notice of Proposed Rulemaking ("the Notice") in the above-captioned Docket.

I. BACKGROUND AND SUMMARY

A. The Transformation of the Industry

The history and success of the U.S. CRS industry have been well documented in prior rulemakings. The CRS industry has been and continues to be defined by constant innovation, growth, and intense competition. By automating tasks that travel agencies previously performed *via* a telephone, or performed manually, CRSs have greatly increased travel agency and travel industry efficiency. CRSs have also enhanced airline competition and, in particular, airline deregulation. New entrants have benefitted because of the instantaneous visibility of their products in tens of thousands of agency locations. Low price carriers have benefitted from the ease with which the systems can pinpoint the most economical fare in any market. Consumers have gained because travel agencies are better able to serve their needs given unbiased displays and mandatory participation of most major airlines. Moreover, due to tremendous advances in technology, consumers can now access CRS, or CRS-like, travel distribution products through the Internet. By allowing travel agencies and consumers alike to electronically “shop” for the lowest fare on any carrier, to search for the lowest rental car or hotel rate for a city, and to monitor reservations for compliance with the travel policies of a corporate client, CRSs save consumers and businesses millions of dollars annually.

Since the rules were last revised in 1992, tremendous changes have occurred in the industry. The traditional CRS has now transformed into a global distribution system with

the ability, among other things, to disseminate information about air carriers' schedules, fares, availability and related services in a neutral and objective manner to travel agencies, corporations and directly to consumers through the Internet. Indeed, with the rise of the Internet, one can begin to see the benefits to consumers and businesses of this amazing technology as the CRS model for electronic commerce — a model pioneered by the Department and industry participants — spreads to other industries, such as automobile sales and financial services. The evolution and development of our industry offer an effective model for the current electronic frontier of the Internet.

In this new marketplace consumers should continue to have full and fair access to complete and accurate information relating to airline services, as they do today *via* automated travel agencies. No one entity or group of entities — whether a CRS owned by air carriers or a non-airline affiliated entity that is the functional equivalent of a CRS — should be permitted to adopt practices long barred by the Department (such as display preference) or new practices that may impair competition (such as the manipulation of application program interfaces needed to run Internet-based travel applications on personal computers). As traditional CRS industry participants (airlines, travel agencies and CRSs) continue to innovate and expand their distribution efforts *via* the Internet, and increasingly compete with non-airline affiliated entities in the distribution of air travel services, the Department should apply its existing rules evenly to ensure a fully competitive marketplace. To do so, the Department should clarify and update the Rules as necessary to reflect the evolution of the industry and technology.

Airline affiliation is no longer a necessary attribute of a successful global distribution system. One Internet-based global distribution system with growing market clout, Expedia, has no airline owners, but is owned by Microsoft Corporation, the second most valuable company in the world. Other CRSs, which at one time were simply marketing units of their parent airlines, now function as independent enterprises. SABRE and Galileo are publicly traded, and, according to accounts in the trade press, two Amadeus owner carriers may soon reduce or eliminate their holdings in that CRS.^{1/} As a result, rules enacted to deal with CRSs which were marketing arms of airlines are no longer sufficient. The CRS business is now important unto itself, and U.S. producers are fully able to compete. Unfortunately, while foreign-based CRSs enjoy the full benefits and protections of the Rules in the U.S., where competition is vigorous and merit based, U.S. systems still face harmful discrimination and substantial market barriers around the world. The Rules should be amended to deal with this inequity and should be vigorously enforced.

B. SABRE: A Technology Pioneer

In 1976, SABRE, then a department within American Airlines, introduced one of the world's first successful CRSs. Today, The SABRE Group is an operating arm of a public company, The SABRE Group Holdings, Inc.^{2/} and a leading provider of information technology solutions to the travel industry. SABRE's CRS contains information from more than 400 airlines, more than 50 car rental companies and 35,000 hotel properties, as well

1. Attachment A provides a snapshot look at the evolution of changing CRS ownership and the emergence of the Internet since the Rules were first enacted.

2. The SABRE Group Holdings, Inc. is listed on the New York Stock Exchange under the symbol "TSG." AMR Corporation, the parent company of American Airlines, owns approximately 82% of the company's equity. The SABRE Group operates as an independent business from American Airlines, which is separately filing its own comments in this proceeding representing its own views.

as cruise lines, tour companies, passenger ferries and railroads. The information from these travel suppliers is stored in a cluster of mainframes located in Tulsa, Oklahoma. From there, it is distributed on demand to approximately 30,000 travel agency locations, more than three million individuals who have subscribed to one of SABRE's interactive consumer services (Travelocity or easySABRE) and to numerous corporations.

SABRE distributes its services through three distribution channels:

- *A dedicated network linked to professional travel agents.* Although this is the "traditional" channel, a travel agent from twenty years ago would hardly recognize today's multi-functional systems which are far more capable than the limited-function terminals found on travel agents' desks in those early days;
- *Internet services provided to individual travelers,* who are able to access SABRE and make reservations from their home computers using SABRE's Travelocity and easySABRE products; and
- *Intranet (and Internet) platforms linked to or operated by corporate clients,* who use SABRE Business Travel Solutions (BTS) to automate their travel contracts.

Although the methods of distribution may be different, there is no logical reason (or manageable way) for the Rules to distinguish them. SABRE believes that the real issue before the Department is either no regulation of the industry or consistent rules applicable to all channels. If display bias is bad for consumers, then it should be forbidden in all channels; if non-discriminatory fees are essential to sustaining airline competition, booking fees should not vary based on the display screen the user sees; if air carriers that own competing systems must provide timely schedule and fare data to all such carrier systems, the obligation should not end when the system licenses its technology to a travel agency operating a Web site. Assuming the distribution of air travel through CRSs continues to be regulated, the new Rules should address all channels in the same way.

C. The Rules Should be Updated to Keep Pace With the Industry

The following summarizes SABRE's positions on what it believes to be the key issues in this proceeding:

- SABRE does not oppose the continuation of the Rules. At same time, SABRE believes that the Rules should be updated to apply evenly to all systems regardless of their distribution method — ostensibly neutral systems that distribute their information principally or exclusively *via* the Internet should be covered to the same extent as are systems that rely on travel agents for some or all of their distribution. (Of course, there is no more reason to extend the Rules to Internet sites operated by an individual airline mainly to sell its own services than to internal reservations offices answering consumer telephone calls, because such offerings make no pretense of neutrality.)
- There is no reason for the Department to revisit the issue of rate-making or attempt to devise other contractual terms for CRS-subscriber relations. A significant virtue of the current Rules is that they narrowly focus on specific practices particular to the industry that the Department believes historically have proved harmful. The industry has remained competitive in the years since the Rules first went into effect, and there is no need to interfere with business decisions that heretofore have always been successfully addressed by the market.
- More effective enforcement of Section 255.8 of the Rules, which bars system owners from tying the sale of transportation to the use of a particular CRS, is needed. It is widely believed in the industry that certain carriers that own CRSs require travel agents to use their CRS to qualify for override commissions when booking on that carrier. Unfortunately, admissible evidence of such conduct is hard to obtain because agents have little to win and much to lose from reporting possible violations. The Department should devise a mechanism to address this long-standing problem. Doing so will accelerate the trend toward air carrier divestment of CRS ownership, which in turn will increase competition.
- The Department should act to curtail the continuing discrimination practiced against U.S.-owned CRSs by foreign air carriers and their affiliates. SABRE proposes that the Department modify the Rules to include a provision that permits the Department, after a complaint and investigation, to order CRSs operating in the U.S. to take concerted action, *e.g.*, denying ticketing and display capabilities, as to foreign carriers that discriminate against an U.S.-based CRS or that own or market any CRS that discriminates against an U.S.-based CRS in any manner.

- The Department should make certain additional smaller, but very important, adjustments to the Rules, as set forth below.
 - Clarify that a system vendor's inability to furnish ARC/IATA numbers as part of BIDT (when the agency in question has no such number) does not provide a basis to reject booking fees.
 - Make CRS marketing and booking information provided under 255.10 available to anyone that wants to purchase it.
 - Clarify that under 255.7(a) owner carriers must make a wider variety of functional capabilities and connectivity offerings available to all competing carrier systems.

II. RESPONSES TO ISSUES IDENTIFIED IN THE NOTICE

A. SABRE Does Not Oppose Continuation of the Rules

Despite the implementation of regulations in 1984, the industry has remained competitively robust, as evidenced by the continuous development and introduction of new products and services employing the latest and most sophisticated technologies. While there is always a danger that government regulation will stifle innovation, the Rules have addressed the potential problems in the CRS industry in a reasonably narrow fashion. Indeed, the Rules provide an appropriate framework for regulation of electronic commerce generally, as such commerce spreads to an ever greater number of products and services across U.S. industry.

Given their approach of minimal intervention in the market, the Rules have not discouraged CRSs from investing heavily in the development of new and more cost efficient technologies which, in turn, have provided wider, more profitable distribution and faster, more reliable communication links. For example, SABRE invested more than \$230 million in new product development from 1993 through 1996. This money went to such

products as: (a) Internet development; (b) EDIFACT frame relays (networks to handle state-of-the-art messaging); (c) "seamless" connections and products; and (d) tools to allow airlines to control the types of bookings they receive from subscribers (most of which are available at no additional charge to participating carriers).

Assuming that the Rules will be renewed in some form, SABRE generally supports the framework of the existing Rules. The Notice identifies several specific areas in which the Department is considering the need to continue existing requirements and several other areas in which the Department may be considering additional regulation. Each should be examined on its own merits.

Overall, the Rules are well-balanced, and there is no need to repeal any of their key provisions or to revisit much-discussed and long-settled issues (though SABRE has long expressed disagreement with some of the fundamental assumptions of prior rulemakings). However, the CRS industry is undergoing significant, largely technology-driven, changes. In order to respond to such new developments, SABRE believes that certain modifications to the Rules should be made, which we describe below. SABRE also supports certain relatively minor adjustments to the Rules as needed to address clearly demonstrated flaws in the existing regulations.

B. The Overall Regulatory Approach Needs to be Preserved

1. There is No Need for Rate Regulation

a. Booking Fee Levels are Market-Determined and Reasonable

As it has in the past, the Department should decline to engage in CRS rate regulation. Booking fees are not excessive and are subject to the discipline imposed by

an increasingly competitive market, alternative distribution methods and the current regime of non-discriminatory pricing. Price regulation would have unintended consequences. Innovation could be stifled if government-approved tariffs deprive innovators of the ability to charge more for improved products. Competitors could be denied the flexibility to respond to changes in customer demand and the overall market environment. Ultimately, as often happens in regulated industries, the incentive to keep costs down may disappear, and booking fee regulation may lead to higher prices than would occur without government interference.

As a practical matter, price regulation would require the establishment of elaborate bureaucratic rate-setting mechanisms, and SABRE is not aware of any realistic, workable proposals in this regard. In light of the benefits of airline price deregulation — which has resulted in a dramatic increase in the volume of airline travel and significantly lower average prices — it would indeed be ironic if the agency that inherited the airline industry's deregulatory mantle were now to embark upon imposing rate regulation in the CRS component of the industry's distribution channel.

CRSs are an intermediary between travel suppliers and travel buyers in an electronic marketplace. CRSs provide customers with the information necessary to buy and sell travel and facilitate the transaction. Moreover, they provide travel suppliers with tens of thousands of distribution outlets, all at the push of a button. An airline's distribution costs (which include passenger sales, operation of reservation and ticket distribution centers, city ticket offices, travel agency commissions, credit card settlement fees, ticket delivery service fees, and CRS booking fees) account for approximately 20 percent of its

total revenue, but, CRS booking fees are only two to three percent of a typical carrier's revenue. Nor does the rate of booking fee increases over the years present a basis for concern. SABRE's average booking fee has increased just over four percent a year since 1987. The rate of inflation over the same time period was 3.7 percent. These figures are certainly inconsistent with accusations that CRS booking fee increases are responsible for claimed double-digit annual increases in carrier distribution costs.

One myth being propounded by parties who want government-mandated price reduction is that CRS costs should be lower because CRSs are technology-based and "technology costs" have been decreasing over the past several years. Initially, it must be understood that technology costs are not the only or even the predominant component of a CRS's operating costs. CRSs are service businesses with labor, facilities, and a myriad of costs other than technology hardware.

Furthermore, the issue of technology costs is more complicated than comparing the price of computers in back issues of Radio Shack catalogues. While the cost of hardware has decreased over the past several years (e.g., a 486 computer is much less expensive now than two years ago), other components of technology have driven costs up, including software and product development. The proponents of the "cheap technology" myth fail to account for the fact that current technology (e.g., Pentium computers, with 16x CD-rom drive, 233 MHZ processing, large color monitors, and high-speed modems), are not less costly than the earlier computers they have replaced. Moreover, the "cheap technology" myth ignores the shortage of skilled programmers in this country and the resulting rapid increases in wages and benefits necessary to attract and retain experienced personnel.

(Moreover, these costs will only increase because of the Year 2000 problem now facing virtually every industry.) Labor-related expenses now account for more than one-fourth of CRS costs.

In addition to normal inflationary pressures, there are several factors that influence average CRS prices experienced by airlines. Carriers select the level of participation (service and functionality) within each CRS. Participation levels offering greater functionality and economic value are priced at a premium. Upgrading to a higher level of participation provides greater control over inventory management and the sales transaction but also means a higher fee per booking. Over time, voluntary migration to higher levels of participation — at greater functionality — has increased the average carrier's CRS invoice by one to two percent per year.

CRS booking fees vary geographically, reflecting the variation in CRS operating costs by region. Certain regions of the world have higher communication and infrastructure costs and, therefore, higher booking fees. As booking volume for a carrier grows at different rates in different areas of the world, the average effective booking fee changes accordingly. The average carrier's CRS bill has increased one to two percent per year as a result of expansion into regions with relatively higher distribution costs.

Investment in SABRE software product development has accelerated, compelled by marketplace forces requiring more functionality and distribution options. Recent examples include electronic ticketing, new software tools for airlines to manage their

booking activity in SABRE, and other products designed to increase sales.^{3/} Likewise, highly advanced hardware and data communication technology is required to meet the rapidly changing needs of the industry. Despite declining equipment prices, total depreciation expense has increased, driven by an increasing rate of technology turnover. This turnover stems from modernizing data networks, replacing travel agency equipment to improve sales productivity and expanding the processing power of the CRS to accommodate the growing volume of carrier sales. Product development, hardware, data processing/ communications, and labor together represent as much as 70 percent of the CRS cost structure.

Another common myth is that carriers are unable to control their CRS bills. Carriers have control over many aspects of their CRS bill. The most direct point of control lies with the selection of a CRS participation level (service and functionality). Carriers make a *business* decision regarding the costs of the different levels of CRS participation versus the economic benefits derived. Premium connectivity products allow carriers to generate more bookings at a higher average yield. When carriers select premium connectivity, they receive several economic benefits:

- Greater revenue control with point of sale data, allowing inventory to be displayed and sold based on the sales outlet;
- Immediate confirmation, which is preferred among the travel agency community, and which results in additional sales;

3. For example, travel service segment ("passive" bookings) related functionality, ATB2 ticketing (*i.e.*, tickets with imbedded magnetic codes), CRS based O&D functionality, married connection logic, complex itinerary pricing, new distribution channels (*e.g.* corporate and consumer direct). Demand for these products, along with marketing incentives to subscribers, have driven the need for CRSs to increase booking fees in order to fund the necessary investments in product functionality, improvements, and to market the system. An additional significant cost to CRSs is the "Year 2000" investment necessary for SABRE systems to process dates properly beyond 1999. Besides system programming investments, certain subscriber equipment will also be made Year 2000 compliant.

- Ability to protect substantial revenue from connected segments by utilizing so-called married connection logic; and
- Lower maintenance communication costs by utilizing EDIFACT technology instead of teletype messaging.

As discussed in more detail in the next section, carriers also have control over a number of sales policies and host automation features which have direct consequences on distribution costs. Examples include:

- Checking for "duplicate" bookings;
- Modifying wait list/schedule change practices and policies;
- Reconciling or rejecting "passive" bookings with CRS passive segment notification products;
- Utilizing the CRSs "claim" products to reduce passive segments and transfer PNR support costs to travel agents;^{4/}
- Managing inventory at point of sale, which means carrier can limit inventory displayed at less productive or lower-yielding agencies; and
- Identifying travel agents who do not follow carrier booking policies.

Airlines always have and continue to exert significant pressure on CRSs to deliver value and SABRE has been responsive to those pressures. CRSs continue to be the most cost effective distribution method available to airlines. Moreover, as alternative distribution channels grow, the marketplace will put increasing pressure on booking fees. The net result is that, while CRS services may be more expensive than they were ten years ago (although only modestly so when the inflation rate is taken in to account), carriers today

4. In the first six months of 1997 participating carriers using SABRE's Claim It product have saved more than four million dollars by eliminating phone calls to their reservations desks and have seen a 20 percent decrease in passive segments.

are receiving significantly more for their money. Vast technological improvements and the new, faster, more efficient service capabilities add enormous value to the airline industry and make today's CRSs a relative bargain for participants.

b. CRS Transactions are Performed Only at the Request of Carriers or Their Agents; CRSs Provide Carriers with Tools to Limit Transactions Deemed to Yield Insufficient Value

During the past several years, certain carriers have bewailed the cost of supposedly "valueless" transactions that their appointed travel agents undertake in the course of their business. The objection is to a range of practices long commonplace in the airline industry, including the creation of "open" segments (bookings on a specific carrier and routing without a specific flight, a common practice in shuttle markets), "passive" segments (bookings that do not remove seats from the carrier's inventory, as occurs when a travel agency tickets a passenger who has previously made a reservation directly with the airline), "duplicate" segments (bookings for a passenger on multiple flights to/from his destination), group segments (in particular, bookings for multiple passengers under a single group name), and other travel-service segments (for example, bookings for the purpose of generating an invoice and itinerary).^{5/} These practices have prevailed for years with the full knowledge of air carriers. SABRE addressed these issues previously, in a March 17, 1997 letter to the Department's General Counsel (the "McFadden Letter"). A copy of the McFadden Letter and the attachments thereto is contained in Attachment B.

SABRE charges carriers for participation in the system on a "net" segment basis, *i.e.*, booked segments less cancellations. In the United States, Apollo, System One and

5. Some carriers allege that such bookings are made solely to meet agent productivity requirements. No carrier, however, has ever documented that such a phenomenon takes place with regularity.

Worldspan charge carriers on a transactional basis, *i.e.*, any time a segment is created or modified, including modifications resulting from a schedule change, wait list clearance, and status request. SABRE's segment-based pricing methodology^{6/} permits a travel agent or other user (*e.g.*, Travelocity users) to check inventory availability, schedules and fare information on a participating carrier at no cost to that carrier. Yet these transactions are hardly free to a CRS vendor; they drive significant processing costs, particularly in new channels such as the Internet, where many customers use the system to look at flight and fare information without making a booking.

The genesis of the current controversy over allegedly abusive bookings was the introduction by CRSs of billing data ("BIDT") distribution in magnetic form in 1993. In response, third-party vendors began to develop "auditing" software, which analyzed the information to identify purportedly invalid bookings. This software, unfortunately, suggests problems where they do not exist and inflates the number of potentially "invalid" bookings. On a number of occasions, SABRE has reviewed statistically valid samples of segments rejected by the carriers based on these "audits." In some cases, the carriers rejecting the bookings supplied the sample for analysis. SABRE employees obtained the actual passenger name records and, where necessary, contacted the actual travel agencies (and even passengers). In the overwhelming majority of the bookings investigated, the rejected booking either was ultimately ticketed (resulting in a paying passenger) or canceled (resulting in a full refund of the booking fee less a cancellation fee of 12¢), was for future

6. A system vendor, of course, should be free to use any method it desires to charge for its services. Other approaches might include a set monthly or yearly fee or some other transactional pricing scheme (*e.g.*, a fee for each availability display). SABRE believes that the simplest and fairest method is to charge by "bookings" made as defined in its contract. This also permits SABRE to comply most easily with the requirement that it charge non-discriminatory fees, regardless of the method used to calculate those fees.

date travel, or evidenced some other significant customer service provided by the agency (e.g., invoicing, itineraries, seat requests and special meal requests, etc.).

The audit software frequently rejects bookings even though there are paying passengers associated with them. For example, the auditing software fails to account for whether a typographical mistake may have been made by either the travel agent or the carrier's internal reservation department, such that a passive booking may not precisely "match" the record in the internal system, as occurs with a misspelled passenger name. The same sort of defect occurs when the auditing software rejects segments booked by city code, e.g., "LON" (London), instead of airport code, e.g., "LHR" (London-Heathrow).

Purported "duplicate" bookings are indiscriminately rejected when a group booking is made in the name of the company requesting group service rather than the passengers. One carrier rejected numerous bookings under "Jesse, Sally" on the same flight, claiming they were abusive "duplicate segments." SABRE's investigation revealed that the bookings were for participants in the "Sally Jesse Raphael" television show, who were booked as a group under the name of the program. The SABRE audits of carrier rejected PNRs also revealed actual ticketed passengers with the last names "Flight," "Fly," and "Sell."

Most importantly of all, the carriers themselves establish the booking practices their agents must follow. The carriers' right to do so is based on agreements which appoint travel agents as a carrier's agent and on the fact that carriers have a continuing right to terminate the appointments in case of abuse. See Airline Reporting Corporation, Industry Agents' Handbook Sections VII(H) and XXIX(E) (October 1996) ("the ARC Handbook")

(see McFadden Letter Attachment 5). Furthermore, carriers can either require the agent, through "debit memos," to bear the expense of any booking fees incurred as a result of the agent's unacceptable booking practices or simply pay a lower commission for certain types of bookings.^{7/} All of the practices at issues are, fundamentally, a matter for resolution between the carrier and its agents.

As a matter of customer service, SABRE has routinely provided credit for bookings that are invalid based on the carrier's published schedules, such as segments showing invalid flight numbers, city-pairs, or days of operation. SABRE's credit policy is set forth in its Associate Billing Service Handbook ("the SABRE Handbook") (see McFadden Letter Attachment 3). SABRE has also developed a number of software applications to help carriers — mostly free of charge — manage their inventory better and reduce the number of passive or otherwise objectionable bookings.^{8/} More such products are scheduled for future release.

Besides using the array of products developed by SABRE, when allegations of agent abuse are reported and substantiated, SABRE is contractually obligated to assist its participating carriers in stopping that abuse. In some cases, SABRE has terminated

7. The ARC Handbook also recognizes that "[e]ach carrier has its own method of controlling seats on an aircraft." McFadden Letter Attachment 5, Section IV (emphasis added). This serves to underscore the lack of industry agreement as to what bookings have more "value" than others. Only for the purpose of demonstrating actions taken by carriers, SABRE provides, in Attachment C, industry articles describing how carriers are dealing with this issue through their agency relationship, e.g., America West's reduced commission payments. A poll published in the March 3, 1997, *Travel Weekly* revealed that large numbers of travel agents simply are not aware that some of their behavior generates booking fee charges to carriers. See Attachment C. Significant changes presumably could be made if carriers simply educated their agents on the consequences of their booking activity. This education process has only now begun. SABRE and the other CRSs are assisting in this effort by providing agents with summaries of their booking activity, including passive bookings. This will allow the agents to compare their practices with the guidelines established by any particular carrier. See Attachment D, June 26, 1997, *Travel Weekly*.

8. Attachment E sets out a list of commonly contested segments and the functionality developed by SABRE to respond to carriers' concerns and permit carriers greater control over these types of bookings. Also included are summaries of the existing products developed by SABRE. Consequently, claims that SABRE has done nothing to assist carriers or address their concerns in this area are, at best, disingenuous.

subscriber agreements. Moreover, SABRE has introduced the Associate Booking Control product which permits carriers, upon appropriate documentation of abuse, to remove a subscriber's ability to make bookings on that carrier in SABRE. It is surprising that some of the parties complaining most loudly about "abuse" have *never* approached SABRE with documentation of specific abuses and asked SABRE to take action against a specific subscriber.

One of the more bizarre arguments being advanced to deal with this issue is that — as a prerequisite for charging for their transaction-processing services — CRS vendors must prove that an "intent to travel" is associated with each booking. The proposed test is an absurdity. "Intent" is none of a CRS's affair; CRSs are not agents of the airlines and know nothing about customer plans — their only role is to process the booking. A "test" based on ticketed segments is useless. It is acknowledged in the industry that not every reservation turns into a ticketed passenger. This is true whether the reservation is made over the telephone, in person, *via* fax, through an Internet site, or through a CRS. SABRE provides its end of the bargain with carriers — and is entitled to payment — when it processes the booking and any modifications to the booking; none of which means that the customer will actually take the trip but does mean that SABRE will incur costs to process the transaction. No carrier has proposed to pay SABRE for the transactions currently provided free of charge, *i.e.*, schedule display, fare quotes, and so on. Moreover, if a reservation is canceled, SABRE refunds the booking fee to the carrier less a small cancellation charge of \$.12. If failure to cancel a reservation is the problem, that is an issue between the carrier and its agent, not the CRS.

CRS vendors should not be required to demonstrate "intent" on the part of a passenger, any more than a local electric utility should be required to prove that a customer had the "intent" to use the electricity consumed by each appliance left plugged into an outlet or a cable company is required to refund money for channels in a service package that the customer did not "intend" to view. Rulemaking over the issue of a consumer's intent will force the Department to micro-manage each CRS transaction, a role the Department has always — and wisely — eschewed.

The Department has aptly recognized that vendors have "legitimate reasons for charging fees for transactions other than new bookings." 57 Fed. Reg. 43,818 (1992). When certain commenters previously asked the Department limit the kinds of transactions subject to fees, the Department declined:

In essence, their proposal would require us to determine on some basis when fees could be legitimately charged by a vendor. The customary approach to such questions for public utility regulation would involve a complex and partly arbitrary synthesis of cost analysis, equity and the ability of different parties to pay charges. Deciding which transactions should or should not incur fees would require a similar analysis, which we are unwilling to do.

Id. The Department was correct in its assessment five years ago, and there remains no basis for complex regulation of CRS pricing methods today or for a new rule that dictates that vendors can only charge fees based on "intent" or on ticketed passengers.

2. The Mandatory Participation Rule is Still Needed

The Department has consistently recognized mandatory participation by airlines that own CRSs in competing airline-owned systems as one of the cornerstones of the Rules. If system-owning carriers refused to participate in other CRSs — either entirely or at the same level as they do in their own CRS — the efficiencies of the automated airline

distribution channel could be lost, the long-term viability of global distribution systems would be impaired, and airline competition would be injured. Competition in the CRS industry would also decrease as system-owning carriers selectively decided the CRSs in (or the level at) which they wish to participate.

A loosening of the mandatory participation provisions of the Rules could well spawn the same types of abuses in the U.S. as exist elsewhere in many areas of the world, where U.S.-based CRSs are the most direct victims. An airline CRS owner could exercise its market clout over travel agencies by refusing to provide competitively necessary information or functionality to other CRSs, thus weakening their marketability. The dominant CRS(s) would, in turn, enjoy greater market power, ultimately meaning poorer service and less favorable contractual terms for travel agents.

Some owner-carriers in this proceeding may seek the ability to selectively choose their level of participation in competing systems or the right to withhold certain kinds of functionality. This would cause precisely the same type of problems identified above. While in isolation certain CRS functions may seem like "bells and whistles," the inability of a CRS to offer these products and match competitors feature for feature weakens the usefulness of the system to subscribers. Examples of such functions include the ability to provide real-time sell and availability information, interactive pre-reserved seats and frequent flier number entry, working seat maps, boarding passes, prepaid ticket advices, etc. As the Department has seen in Europe and Latin America, if an agent does not have access to all of the amenities available through a competing CRS, that agent will not remain a customer of the less-functional system for very long.

As long as carriers own CRSs, the opportunity and motive for discrimination against competing systems owned by other airlines are present. Mandatory participation by owner-carriers *at parity* is a valid and necessary measure to ensure competition in the CRS industry, and competition for airline distribution is a prerequisite for a competitive airline industry. In addition to supporting the current rule, SABRE thus proposes that the Department clarify the requirements of section 255.7 to make clear that mandatory participation requires system owning carriers to make available to other carrier-owned CRSs all functionality that confers a competitive advantage to carrier-owned systems including, but not limited to: direct access capabilities, accurate seat maps, interactive sell and availability, numeric availability, record locator functionality, electronic ticketing, interactive availability "polling" information, interactive pre-reserved seats and frequent flier number entry, complete and native language direct reference material, priority wait listing and clearance, claimed PNR functionality, complete frequent flier program information and functionality, equal "free sale" inventory availability displays in the primary AVS screen, and prepaid ticket advice/tickets on departure.

3. Requiring CRSs to Separate Internet Services From Other Methods of Distribution Would Impose Needless Costs on System Vendors, Inhibit the Growth of the Internet Distribution Channel, and Serve no Valid Regulatory Purpose

In the parity clause rulemaking, OST 96-1145, one party proposed that the Department should bar system vendors from requiring that air carriers who participate in the system allow bookings through all the system's many outlets; the proposal was that the Department adopt a rule allowing carriers to pick and choose the outlets they wished to participate in so that they could opt out of Internet sites managed by the system vendor.

SABRE strongly opposes such a change. As explained below, requiring system vendors to treat the Internet distribution channel in a special manner would impose substantial additional costs on CRSs and would make the Internet channel less productive over the long-run. Today, the Internet provides consumers with efficient and inexpensive access to comprehensive travel databases. There is no reason to handicap consumers by encouraging vendors to exclude their offerings from this channel. Currently, SABRE's participating carrier agreements cover many channels of CRS service distribution: links to thousands of travel agents (many of whom now redistribute CRS services over the Internet), Intranet booking sites managed by corporate clients, and Internet access for individual consumers. Under these agreements air carriers have been carried in on-line service outlets — such as easySABRE — for more than a decade.^{9/} Each of these products is part of a comprehensive package of services a carrier receives when it chooses to participate in SABRE.

The proposal that vendors should now be forced to separate their services is unmanageable. To begin with, SABRE's Tulsa data center does not distinguish among channels; all information flows from the same database. More importantly, the channels are not nearly as distinct as the proposal apparently assumes. An "Internet booking" can be made on SABRE's Travelocity Web site — or by a travel agency remarketing SABRE on the Internet or by a corporation utilizing Business Travel Solutions Internet capabilities.

9. SABRE's participating carrier agreement provides for the following forms of distribution: (a) Professional SABRE (the system primarily marketed to travel agents); (b) Commercial SABRE (a version of SABRE marketed to corporations); (c) Falcon (a licensed version of SABRE operating in the Middle East); (d) Fantasia (a licensed version of SABRE operating in Australia); (e) easySABRE/Travelocity (versions of SABRE marketed to individual users through public data networks); (f) SITAR (a version of SABRE marketed in India); (g) SST ("SABRE Sociedad Tecnologica") (a licensed version of SABRE marketed in Mexico); and (h) "any other version of SABRE marketed by a SABRE Licensee."

Requiring that system vendors allow air carriers to withdraw their product selectively from Internet sites will inevitably lead to consumer confusion. Presumably, selectively populated Internet sites would also have the ability to reintroduce display bias, as a means of enticing carriers to participate. As various airline associates opted out of different outlets and as others obtained preferential displays, the availability information seen by consumers would be substantially biased. In short, this proposal would impose costs on the industry, cause inconvenience to consumers, and benefit no one.

SABRE recognizes that the Internet channel has caused some very specific problems for air carriers and that abuses have occurred as consumers have taken advantage of the power of these systems to make fictitious reservations. (In the Internet channel the carriers lack the protection they have in the "traditional" channel, where their own appointed agents make the bookings.) The industry is working to overcome this problem and SABRE has been a leader in responding to carriers' concerns. Attachment F contains SABRE's Travelocity/easySABRE booking safeguards, a policy created in consultation with the carrier community.

In SABRE's view, the appropriate response to the growth of the Internet distribution channel is to ensure that the existing Rules cover that channel and free up all participants — carriers, travel agents and CRS owners — to compete on the *merits* of their products.

4. *There are no Problems with Third-Party Equipment Provisions*

SABRE is unaware of any obstacles in the way of subscribers exercising their rights to use third-party hardware and software to access other databases. Most subscribers continue to lease hardware with preloaded software from their CRS vendors, but SABRE

does not oppose the use of third-party hardware and software compatible with SABRE's published specifications. At the same time, we do not believe that changing the Rules to limit the ability of vendors to restrict the use of the equipment they provide on lease would be an appropriate way to address perceived problems, whatever they may be.

When subscribers choose to lease rather than to purchase their own equipment, this choice is based on the cost of purchasing, maintaining, and periodically upgrading that equipment. By choosing to have a vendor install equipment, the subscriber makes a decision to accept access to only one CRS through that terminal in exchange for the use and maintenance of that equipment. The subscriber also benefits from the ability to upgrade the leased equipment when technology advances occur or, if business warrants, add new leased equipment as its business grows. Likewise, if a subscriber's business needs justify the use of more than one CRS it has the choice of leasing equipment from both vendors or to use third-party equipment to access both systems.

As the Department noted in 1992 in declining to mandate access to other systems through vendor leased equipment:

We have determined to limit the rule to equipment owned by the agencies. If an agency is using terminal equipment owned by the vendor, the vendor should have some control over its use, particularly since the vendor is entitled to compensation for the use of its property and since its charges for the property presumably assume the agency's use of the terminals for a certain level of bookings. Since an agency can obtain the ability to access other systems and databases from a terminal if it buys its own equipment, it can evade any vendor's restrictions on the use of vendor-owned equipment.

57 Fed. Reg. at 43,800. This logic is still true today.

5. The Provisions of Section 255.10 Relating to Marketing Information Promote Airline Competition and Should be Retained

SABRE supports the continuation of the regulations regarding marketing and booking information. Originally prompted by allegations that system-owning carriers had access to competitively significant information that other carriers did not possess, these provisions have improved the operation of the airline and CRS markets and should be retained. The timeliness and widespread use of the data (particularly when compared to the Department's O&D and service segment data) have assisted the carriers in competing with one another and in managing their inventories. Having historical sales data has also improved the industry's ability to sustain higher load factors, as shown in Attachment G.

SABRE's view is that air carriers should be permitted to have broad access to CRS marketing data, just as CRS providers should have broad access to airline data. The information available to all carriers, including system owners, would be reduced in the absence of the information-sharing regulations. Moreover, unless information is available from all vendors and thus can be analyzed in aggregate form, the information of any one vendor has little commercial value, *i.e.*, the information must be aggregated to be of value. Without Section 255.10, therefore, all carriers would have to bear increased costs to secure historic booking data. At the same time, SABRE is not aware of any misuse of the marketing data that would suggest competition is being harmed.

No one can seriously dispute the competitive benefits derived from access to historical market information. But carriers are not the only entities interested in the marketing information discussed in 255.10. Such data also intensifies competition among CRS vendors. The Department should, therefore, modify the provisions of 255.10 to

require that systems sell the relevant marketing information to *any entity* that wishes to purchase it. Parties other than carriers may have or find uses for the information and the benefits of mandating the availability of this information to any interested party, subject to the same restrictions already present in the rule, should track the benefits of making it available to carriers.

6. There is No Need for Additional Regulation of Display Algorithms Except for Codeshare Display

When carriers believe that a CRS is improperly manipulating its displays, they communicate their concerns to the Department. In SABRE's experience, the Department has always been responsive to such complaints. The Rules today appropriately balance the need for vendors to use objective criteria in ranking airline flights and the desirability of allowing vendors to change displays to reflect new technologies and customer desires. Consequently, SABRE does not believe the Department needs to further regulate the display algorithm.

An issue does exist, however, regarding the display of codeshare flights. Alliances between carriers are far more common than they were when the Rules were last revised. While the Department may believe that codesharing has consumer benefits, there is no consumer benefit to multiple displays of the same flight. Multiple displays of the same flight tie up valuable display space and move alternative service to later screens which, according to the Department, means those flights are less likely to be sold.

The solution is for the Department to adopt a rule requiring that a flight be displayed only *once*. In the case of codeshare flights, the operating and codeshare flights would not be displayed separately. Instead, a CRS would permit the sale of either the codeshare

flight or the operating flight from a single line displayed in the CRS. This rule will allow competitive service, that would otherwise be displayed on later screens, to be displayed on the same screen as the codeshare service. This in turn will permit CRSs to be even more valuable distribution tools for carriers and provide better, more complete information to subscribers and customers.

C. Certain Provisions Need to be Updated

1. Rules Must Cover CRS Distribution on the Internet by Entities that are Not Owned by Air Carriers

The Internet is affecting virtually all aspects of U.S. commerce and has become an important distribution channel for many products. ^{10/} Today, consumers can purchase almost anything *via* the Internet, including cars (<http://carpoint.msn.com>), homes (www.realtor.com), securities (www.schwab.com), home supplies (www.wal-mart.com), computer hardware (www.gateway.com) and, of course, travel (www.previewtravel.com, www.southwest.com, www.ual.com).

Perhaps because of the highly automated nature of the travel industry, the purchase and sale of travel and tourism products *via* the Internet (also referred to here as "online travel") is currently one of the leading segments of consumer electronic commerce, accounting for more than half of all Internet based electronic commerce in 1996.^{11/} Still nascent today, the online travel market is anticipated to grow quickly over the next three

10. The list of "core" consumer online services is likely to also include investment services, "bill presentment" services, and local entertainment and activity guides. Tremendous growth is anticipated in all of these markets. For example, the online market for consumer banking has nearly doubled in the last year (to 4.5 million accounts), and researchers predict that it will reach 18 million by 2002. See Michelle Kuester, *Competitive Pressure, Open Standards Drive Online Banking Offerings*, Jupiter Communications (Apr. 30, 1997); <http://www.jup.com/jupiter/release/apr97/banking.shtml>.

11. Kate Maddox, *Traveling on the Web*, Information Week (Jan. 20, 1997).

to five years and to account for a huge proportion of all Internet-based transaction revenues through 2000.^{12/} Consumer online travel spending, estimated at \$275 million in 1996 (including \$160 million in consumer travel and \$110 million in non-managed business travel), is projected to increase to \$8.9 billion in the next five years.^{13/}

a. The Online Travel Market

Virtually all U.S. air transportation companies — including airlines, CRSs and travel agencies — recognize the Internet as an important new distribution channel. For example, in March 1996, SABRE launched Travelocity (www.travelocity.com), thereafter, American Express (www.americanexpress.com), among other travel agencies, offered online travel services.

Single airline travel sites have also appeared on the Internet offering consumers the ability to reserve and purchase tickets, sometimes at a substantial discount, directly with the sponsoring airline. Sample product offerings include Southwest Airlines' site at www.southwest.com, Northwest Airlines' site at www.flynwa.com, Delta Airlines' site at www.delta-air.com and American Airlines' site at www.americanair.com. These single airline sites are "biased sites" offering information biased in favor of the Web-site carrier.

A number of other competitive online travel sites, with no airline affiliation, have also emerged on the Internet. Examples of such non-airline affiliated Web-sites include Microsoft Corporation's Expedia (www.expedia.com), America Online's Preview Travel (www.previewtravel.com), Internet Travel Network (www.itn.com) and TravelWeb

12. Kate Maddox, *Traveling on the Web*, Information Week, at 63 (Jan. 20, 1997).

13. Jupiter Communications, *Online Travel Market: Five Year Outlook*, at 56 (April 1997) (cited as "Jupiter").

(www.travelweb.com). Although these travel sites or products are not "carrier owned," each site or product is connected to an airline-owned CRS as the "booking engine" or primary source of carrier-related fare and schedule information.^{14/}

Thus, the online travel market essentially includes two categories of sites: (i) the online travel sites linked to a CRS that offer the ability to book flights on more than one carrier (referred to herein as "Multi-Airline Travel Sites") and (ii) online travel sites offered by individual carriers or "Single Airline Travel Sites." Multi-Airline Travel Sites purport to be comprehensive and unbiased; they offer not only a user-friendly interface to book flights on multiple carriers, cars, and hotels, but also information on destinations, low fare finders, currency convertors, maps, weather reports, and more. Multi-Airline Travel Sites are the largest segment of online air travel services today and accounted for 79% of consumer online travel sales in 1996.^{15/} These sites are anticipated to retain 70% or more of the online travel market through the next five years.^{16/}

Both categories of online air travel sites use graphical user interface ("GUI") software to guide the user through a series of questions about the flight, hotel or car to be reserved, reformulate and communicate the request to the CRS, and present available options to the user in an easy-to-understand format. The graphical user interface or GUI (the computer screen the user sees and interacts with) is a "display" or "integrated display" in the parlance of the Department's rules. All the competing sites sell advertising on

14. All of the sites listed are easily accessed on the Web using the addresses provided. Since site features change quickly, the most accurate method of comparison is to actually visit the competing sites.

15. Jupiter, *supra*, at 50.

16. Jupiter, *supra*, at 63.

virtually all of the various screens used in the booking process, and design (and redesign) the screens, "displays" or "GUI's" in such a manner to make the process as quick and easy as possible and to entice the users to purchase air travel. In this competitive atmosphere, online travel sites vie for users based upon the functions they offer, which has created a features competition in which the real winners have been consumers.^{17/} SABRE's Travelocity has often served as a pacesetter, adding new features that allow users to choose among flights based on price, determine if a particular flight will depart or arrive on time (and alert the customer *via* alpha-numeric pager as to gate changes, flight delays), and generate maps for exploring destination sites or finding restaurants or hotels.

The Internet distribution channel offers great promise for low cost, efficient distribution of air transportation services to consumers. Moreover, because the Internet has the potential to reach virtually all consumers — particularly as Internet access spreads from the personal computer to television sets and other devices — the benefits created by this emerging channel magnify the original virtues of a CRS. The Internet enables new, small carriers to achieve instantaneous market visibility and establish a direct link to consumers. Consumers benefit from direct access to multiple travel suppliers and distributors and increased access to pricing information.^{18/}

b. Potential Impediments to Continued Growth in the Online Travel Market.

The growing consumer acceptance of online travel is due, in part, to the array of

17. Donna Rosato, *Low Fares Get Easier to Land on Net*, USA Today High-tech, at <http://www.usatoday.com/life/cyber/tech/cta483.htm> (May 13, 1997) (comparing recent addition of feature for finding low fares on Preview Travel, Travelocity and Expedia).

18. For example, search engine Infoseek's collection of travel-related Internet sites lists more than 2500 booking and travel information services. (Attachment H)

options offered by the Multi-Airline Travel Sites and the competition among them. These sites make information and services available to all users on a non-discriminatory basis, regardless of the booking engine used by the site, or the type of hardware or the specific brand of client software (or browser) the customer uses to access the site. The technology that has made this universal communication between computers possible relies upon the set of shared, open, non-proprietary protocols on which the World Wide Web ("Web") is based. ^{19/} To the extent any one company controls such important enabling technology, consumer choice will be limited and the growth and viability of the emerging online travel market will be threatened. Moreover, to the extent any company that dominates the technology relied upon by Internet participants (such as travel agencies, CRSs and air carriers), also competes in the online travel market, some of the very practices that led to the original CRS rules — which were then characterized as alleged abuses by system owners — could easily return to the marketplace.

SABRE strongly believes that the promise of the Internet will only be fully realized if the Internet neither handicaps nor favors participants. If Multi-Airline Travel Sites are not subject to the Rules and can engage in practices barred in the "traditional" CRS channel, we fully expect such sites will "sell bias" to any carrier or group of carriers, provide special functionality (such as electronic ticketing) to some participants but not others, and otherwise discriminate among air carriers. At a minimum, such practices would harm

19. For example, personal computer ("PC") users now accessing online services on the Web (such as online travel products) do so by launching a Web browser program (such as Microsoft's Internet Explorer or Netscape's Navigator), or the versions of these and other browsers which come bundled with the software provided by online service providers ("OSPs") such as America Online, Compuserve, or The Microsoft Network. The browser program then uses one of the open protocols (HTTP) to transmit a request to "see" or access a particular Web page to a Web server (software which stores pages and displays them in response to such commands).

carriers unable to meet the "price" for bias, and mislead consumers, who would have no reason to suspect such sites are biased. As a result, users — including consumers, travel agency subscribers and corporations — would potentially lose Internet access to unbiased air carrier information.

As the Department considers the issue of the applicability of the Rules to Multi-Airline Travel Sites, it must consider not only the potential harm of permitting the reintroduction of system and display bias but also the benefits created by maintaining and preserving competition on the Internet. In light of the above, SABRE submits that the current Rules should be updated to account for technological advances and the changing nature of CRS ownership. The Department has the authority to extend the Rules to govern the conduct of Multi-Airline Travel Sites and should do so. 20/

c. Proposed Modifications to Rules

The Internet distribution channel is no less vulnerable to manipulation or bias than the traditional distribution channel involving the CRS and the travel agency subscriber. The Rules should be updated to reflect the reality that Multi-Airline Travel Sites, regardless of whether they are affiliated with an airline, are the functional equivalent of a traditional CRS and require that companies offering such services over the Internet comply with regulations applicable to system vendors.21/ Moreover, because such "systems" are marketed directly to consumers *via* the Internet, the Rules should be updated to protect

20. As noted by the Department in the recent parity rule-making, the Department is expressly authorized to prohibit "an unfair method of competition in ••• the sale of air transportation." 62 Fed. Reg. 214 (November 5, 1997). See also, 49 Fed. Reg. 32,540 (Aug. 15, 1984).

21. This approach is also consistent with the Canadian CRS Rules and the European Commission CRS Code of Conduct. Given the universal nature of the Internet, the U.S., Canadian and E.C. should offer consistent guidance and protection on the applicability of the respective CRS Rules to the Internet.

consumers, as well as traditional “subscribers.” The Rules should not be expanded to include Single Airline Travel Sites as those sites are clearly extensions of a carrier’s internal reservations department, which the Department has not sought to regulate in the past and would be ill-advised to do so now. Single Airline Travel Sites should remain outside the scope of the Rules so long as they are clearly branded by the carrier, do not purport (explicitly or implicitly) to be neutral providers of content, and are used primarily for the sale of that carrier’s own flights.

Consistent with these developments, SABRE proposes the following modification of “system:”

“System means a computerized reservations system offered by a carrier or its affiliates to subscribers *or consumers* in the United States that contains information about schedules, fares, rules or availability of carriers and which provides subscribers *or consumers* with the ability to make reservations and to issue *or receive* tickets, if it charges a fee for such system services.”

In addition, SABRE proposes the following new Rule:

255.13 Internet and Online Services

The obligations of a system under this Part shall also apply to any other person offering a computerized reservation system to subscribers or consumers over the Internet or dedicated line, to the extent such services are displayed in the United States, but shall not apply to a carrier offering such services so long as they are clearly branded by the carrier, are offered principally for the sale of its own flights and would not otherwise constitute a system under section 255.3.

If the Department should choose not to expand the scope of the Rules to reach Internet distribution, SABRE urges the Department to confirm explicitly that all Internet travel services — including those operated by a CRS system vendor — are free of the current regulatory restrictions applying to systems marketed to travel agencies, *i.e.*, to confirm that Internet travel services can sell preferential displays, discriminate as to content and handling of information, charge different fees for the same service, and so on.

2. More Effective Enforcement Mechanisms Are Needed to Assure Compliance with Section 255.8(d)'s Tying Prohibition

Section 255.8(d) of the Rules prohibits a carrier-owner from tying travel agent commissions on that carrier to the use of a particular CRS. This provision was designed to prevent system owners from exploiting their position in air transportation to give their systems an unwarranted competitive advantage. The Department deemed such tying practices as undermining legitimate competition among CRSs.

Despite the best of intentions, this anti-tying provision is basically a dead letter because of the continual difficulty the Department has faced in uncovering and prosecuting violations. The occurrence of tying practices which violate Section 255.8 is both widespread and common knowledge in the industry. For example, just recently two SABRE subscribers in the Salt Lake City region fell victims of these practices. The first was denied commission overrides by a CRS owner-carrier in retaliation for having converted from the owner-carrier's CRS to SABRE. The second was denied an override commission from an owner-carrier until it opted to install the carrier's CRS in one of the subscriber's new locations. Once the owner's CRS was installed, the override commission became available.

In SABRE's view, the principal problem has been travel agents' understandable reluctance (and lack of economic incentive) to come forward. Realistically, an agent must balance a very palpable fear of retaliation by the particular carrier against the somewhat speculative (from the agent's perspective) reward of forcing the vendor to comply with the Rules. Without the creation of additional enforcement mechanisms and a renewed commitment by the Department to use them, this unacceptable situation will only worsen. Law-abiding carrier-owners face two poor choices: comply with the rules and suffer the resulting competitive disadvantage, or join the other violators. A rule that is not effectively enforced is worse than no rule at all, and SABRE believes an appropriate solution should be found.

SABRE urges the Department to take the following actions. At the outset, SABRE requests that the Department conduct a hearing to obtain evidence on this topic, using its subpoena powers as necessary. Furthermore, SABRE suggests that the Department consider the enforcement approach formerly found in the Canadian CRS rules: (a) any offer of commissions exceeding the customary levels should be in writing, accompanied by an affirmation that it is not conditioned on CRS selection or use; (b) a written affirmation rejecting tied sales should be provided to each CRS subscriber; and (c) each owner-carrier and CRS should file verified annual compliance statements with the Department under the penalty of perjury. SABRE's suggested text for this modification to 255.8 can be found in Attachment I.

3. Additional Provisions Are Needed to Deter Widespread Discrimination Against U.S.-based CRSs Overseas

SABRE and other U. S. CRSs have encountered severe and constant market barriers in their efforts to establish a presence outside the United States. Unlike this country, with its twenty-year legacy of fierce airline competition, most regions outside of the U.S. are dominated by a single national carrier which is often wholly or partially owned by the government. The resulting lack of air transportation competition means there is little incentive for the dominant national carrier in these countries to maximize the distribution of its domestic products in any CRS other than the one affiliated with the carrier. Outside their home countries, however, these carriers must distribute their services through U.S.-based CRSs and, ironically, enjoy the full protection of the Department's rules as to their right to market their services in the United States.

Several of these carriers and their affiliated CRSs, as well as other affiliates in the travel industry (such as railroads and tour companies) have engaged in a pattern of conduct that has severely disadvantaged U.S.-based CRSs in the respective home countries of the transgressors. The Department is well aware of the tactics utilized by foreign owner carriers over the past decade to cripple the marketability of U.S. CRSs in foreign markets. See, e.g., Orders 88-7-11, 88-9-33, and 90-6-21.

Nonetheless, the discriminatory tactics continue. In many markets in Europe and Latin America, owner-carriers refuse to participate in U.S. CRSs at equivalent levels of functionality. For example, the dominant carrier makes available interactive pre-reserved seats and frequent flier number entry to the system they own or market, while supplying SABRE with only teletype functionality. These same carriers also:

- (1) fail to provide equal inventory availability displays, seat maps, and direct reference system ("DRS") materials,
- (2) supply current and correct fare information to their own CRS, but deny that same information to competing systems,
- (3) tie selection of their CRS to special amenities, services, and commissions for travel agents, and
- (4) engage in outright intimidation of travel agents who subscribe to a competing CRS, such as a "visit" from the carrier's sales force threatening the loss of override commissions.

The competitive harm to U.S.-based CRS systems is palpable, and the systematic and ongoing nature of these activities belies any claim by these carriers that it is economically justified or happenstance. This behavior is aimed directly at keeping U.S. competitors out of "their" markets. The Department acknowledged as much in its final rule on parity clauses: "[S]ome foreign carriers have apparently reduced their participation in a U.S. system in order to frustrate that system's marketing efforts in the foreign carrier's homelands." 67 *Fed. Reg.* at 59785. These market barriers are so ingrained and the practices so objectionable that the Antitrust Division of the United States Department of Justice and its European Commission counterpart, Directorate General IV, have launched investigations into the marketing practices of the Amadeus owner carriers and affiliates in Europe and Latin America respectively. See Attachment J.

A regulatory solution would complement any actions ultimately taken by the antitrust enforcement authorities. While the Rules do provide for some countermeasures under 255.11 (b), those provisions do not reach the types of behavior described above as they do not reach discrimination by a foreign carrier or its affiliated CRS against a U.S. CRS.

Moreover, U.S. CRSs have rarely availed themselves of the countermeasures available because doing so might well weaken their systems *vis a vis* their domestic competitors. Likewise, the competitive environment in the U.S. and in the applicable foreign markets has stopped U.S. CRSs from exercising other self help remedies (*e.g.*, contract termination) to eliminate these unfair practices as the lost business would simply migrate to other CRSs.

SABRE believes the Rules should be amended to provide for expanded self help and mandatory sanctions by all domestic CRSs against a foreign carrier which the Department finds, after appropriate enforcement proceedings, to have engaged in (or caused *via* an affiliate) unjust discrimination against a U.S. CRS. For example, a provision that permitted the Department to order all U.S. marketed CRSs to cease displaying and ticketing a discriminating foreign carrier's flights would, if enforced, go a long way in removing market access barriers for the U.S. CRS industry. A suggested amendment to 255.11 dealing with this problem can be found in Attachment K. The key to obtaining open foreign markets will be vigilance by the Department and a willingness to enforce new rules aimed at stopping the discriminatory behavior. This proposed rule will dovetail with the Department's recent statement that it is " . . . prepared to take countermeasures against foreign airlines that deny U.S. systems a fair chance to compete in the foreign airline's homeland, . . . " 62 Fed. Reg. at 59797.

4. Needed Modifications and Clarifications

In addition to the changes suggested above, the following matters should also be addressed by the Department in this docket:

- Some carriers have challenged booking fees on the basis that no ARC/IATA number was present in the billing documentation provided under 255.6(d). Their contention is that without such a number, the booking is "invalid" and they are not required to pay a booking fee for the transaction. This would be an appropriate time for the Department to clarify that such a number is required *only if available*, and the lack of such a number does not render the booking "invalid" or otherwise non-billable. An example of such an agency would be non-appointed agents who lack such numbers and rely on another travel agency for the issuance of tickets.
- The pace of change in this industry seems to be accelerating. Just as the current Rules are in some ways outdated in light of the changes that have taken place since the last rulemaking, any new rules may also quickly become obsolete. The current five-year term in effect translates into seven years, as the renewal process does not begin until the existing rules are close to expiration. The Department may wish to consider either shortening the term of the new rules or otherwise ensuring that the next renewal process is completed within five years of such rules' issuance.

III. CONCLUSION

The U.S. CRS industry provides substantial benefits for travel agencies and consumers, along with an inexpensive but highly valuable method of distribution for airlines that has augmented and assisted airline competition. The U.S. CRS industry is highly competitive and dynamic; its vibrancy reinforces competition among air carriers. Assuming that the Rules will be extended, SABRE sees no reason for the Department to abandon its minimal intervention approach. A prominent example has been the Department's long time aversion to engage in rate-making for CRS booking fees. Government intervention in the pricing arena has invariably been a disservice to all concerned. The marketplace is still the best mechanism for assuring effective competition, including pricing for services.

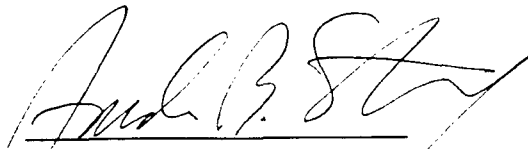
The industry is entering an era of fundamental change. New methods of electronic distribution of travel services have arisen and the Department must be vigilant in ensuring

that the Rules apply to all so as to ensure fair and equal competition and that consumers continue to have access to complete and unbiased information. Likewise, the reality of CRSs as separate businesses must be accepted and incorporated into the Rules. To do nothing on either development will likely set the stage for an unwelcome return to practices that occurred before regulation and, even more disturbing, will place part of the industry under regulation, while a competitive sector remains unbridled. Fundamental fairness dictates a level playing field for all. Along these same lines, if the Rules are to continue, then mandatory participation at parity for owner carriers should also continue. No other method of regulation has gone as far to ensure that consumers receive complete and unbiased information.

The Department should also act to end tying CRS participation to airline commissions, and bring an end to the long-standing discrimination against U.S.-based CRSs by foreign carriers in their home markets. These carriers should not be permitted to enjoy the benefits and protections of the Rules in the U.S., while continually engaging in acts that thwart the marketing of U.S. systems in foreign countries.

Please contact the undersigned or any other person identified on the front cover with any questions concerning this document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Andrew B. Steinberg", written over a horizontal line.

ANDREW B. STEINBERG
Senior Vice President,
General Counsel, and Corporate Secretary
STERLING L. MILLER
Managing Attorney
The SABRE Group, Inc.

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Changing Ownership of CRSs/CRS Equivalents Operating/Marketing in the United States

1984

Apollo
Datan II
PARS
SABRE
System One

United Airlines
Delta Airlines
TWA
American Airlines
Eastern

1994

Apollo/Galileo

Amadeus
SABRE
System One
Worldspan

United Airlines/U.S. Airways/British Airways/Air Canada/Air Lingus/Alitalia/Austrian Airlines/KLM/Olympic Airways/SwissAir/TAP Air Portugal
Air France/Lufthansa/Iberia/SAS
American Airlines
Continental
Delta/Northwest/TWA

1997

Apollo/Galileo

Amadeus/System One
SABRE
Worldspan
Genesis(?)
Multi-Airline Internet Sites

18% Publicly Held/United Airlines/U.S. Airways/British Airways/Air Canada/Air Lingus/Alitalia/Austrian Airlines/KLM/Olympic Airways/SwissAir/TAP Air Portugal
Air France/Lufthansa/Iberia/Continental
18% Publicly Held/AMR Corp. (American Airlines' parent)
Delta/Northwest/TWA
Proposed Agency Owned CRS
Expedia, Preview Travel, Internet Travel Network, Travel Web, etc.



Andrew B. Steinberg

Senior Vice President
General Counsel and Corporate Secretary

March 17, 1997

Ms. Nancy McFadden
General Counsel
U.S. Department of Transportation
400 Seventh St., S.W.
Room 10428
Washington, D.C. 20590

Re: Contract Termination

Dear Ms. McFadden:

In thirty days, The SABRE Group will exercise its right to terminate the SABRE participation contract of America West Airlines, Inc., which has been withholding payment of booking fees that are due and owing under its SABRE participation agreement. America West, along with a handful of other carriers (jointly the "Defaulting Carriers"), contends that it does not have to pay for bookings made by travel agents where, according to America West, the passenger had no "intent to travel" or the booking was otherwise "speculative." Enclosed is a copy of the letter I sent to America West stating our intention to terminate its participation agreement ("Agreement") while offering it an opportunity to avoid termination by paying the outstanding SABRE invoices *without* prejudice to its right to pursue a refund (Attachment 1)¹.

Although The SABRE Group believes this matter to be a private commercial dispute between itself and a handful of airline customers, we are providing this notice to the Department in light of the request made of us by various members of the Department's aviation enforcement staff during a meeting to discuss this issue last year. The balance of this letter provides additional detail about the background of the dispute, the efforts we

¹ The SABRE Group has developed criteria to determine when a 30 day termination notice will issue. The criteria is set out *infra* at page 9. Only America West meets the criteria at this point. The SABRE Group will issue the letter on a going forward basis to *any* carrier that meets the criteria. Of the almost 400 carriers participating in SABRE, only 19 have rejected payment of booking fees. The carriers are: AeroMexico, Air Algeria, Air France, Aloha Airlines, America West, American Trans Air, Ansett, Avianca, Carnival Airlines, China Southern, Continental, COPA, Egypt Air, Gulfstream, KLM, Lufthansa, Qantas, Southwest, and Varig.

have made to settle these problems and explain our position to the carriers involved, and our analysis of the relevant regulations.

Background

Under the Agreement (Attachment 2), The SABRE Group charges participating carriers a set fee for every booking made on their airline in SABRE. The SABRE Group charges for participation in the system on a "net" segment basis, meaning booked segments less cancellations. Other CRSs charge in different ways. For example, Apollo, System One and Worldspan charge carriers on a transaction basis². As a result of our pricing policy, there are a number of services that SABRE provides to carriers -- including the basic display of information -- for which there is no charge assessed. Thus, a travel agent can look up inventory availability, schedules and fare information on a participating carrier at no cost to that carrier.

The Agreement defines "Booking" as follows:

Booking shall mean an airline passenger segment created by (or secured to) a SABRE Subscriber during any one calendar month in the itinerary portion of the customer's Passenger Name Record (PNR) including but not limited to, segments created using action codes or status codes NN, SS, BK, HK and/or GK for transportation (i) on Participating Carrier's flights or (ii) Codesharing Flights made by (or secured to) a SABRE Subscriber (less Cancellations made prior to the date of departure during the same calendar month by such SABRE Subscriber). For example, one passenger on a direct flight shall be counted as one Booking, one passenger on a two-segment connecting flight shall be counted as two Bookings. Multiple passengers within the same PNR segment constitute multiple Bookings.

The Agreement addresses potentially "speculative" or "abusive" bookings by SABRE subscribers in Article 1.9, which states as follows:

Upon receipt of documented evidence from Participating Carrier of a history of instances of speculative Bookings or other related abusive practices by a SABRE Subscriber involving the sale of Participating Carrier's air transportation services, [The SABRE Group] shall, if warranted after reasonable investigation, assist Participating Carrier by initiating appropriate, timely and reasonable remedial measures against such SABRE Subscriber.

² With transaction based pricing, the carrier is billed at the initial creation or cancellation of a segment and at anytime the segment status is changed. Thus, for example, charges can occur as a result of a schedule change, confirmation of waitlist, or a request for status.

Such remedial measures include reduction of productivity incentives earned through such bookings and/or termination of the SABRE Subscriber's contract with The SABRE Group. Importantly, however, the Agreement does not relieve the participating carrier of its obligation to pay for allegedly speculative or abusive bookings. As its appointed agent, the carrier has the ability, which some carriers have exercised, to bill its agent for the costs incurred.

Finally, Article VI of the Agreement provides that it may be terminated by either party on thirty days prior written notice to the other, which may be given at any time.

The principal objection of the Defaulting Carriers is to a variety of practices long prevalent in the airline industry that reflect travel agency accommodations to passengers and result in airline passenger segments and hence booking fees. These include the creation of: "open" segments (bookings on a specific carrier and routing without a specific flight, a common practice in "shuttle" markets); "passive" segments (bookings that do not remove seats from the carrier's inventory, as occurs when a travel agency tickets a passenger who has previously made a reservation directly with the airline); "duplicate" segments (bookings for a passenger on multiple flights to/from his destination); group segments (in particular, bookings for multiple passengers under a single last name); and other travel-service segments (for example, bookings for the purpose of generating an invoice and itinerary).³ These practices have prevailed for years with the knowledge if not tacit acceptance of the carriers. For example, if a business traveler does not know whether a meeting will be over in time to catch the 4:00 p.m. flight, he or she may ask a travel agent to reserve space on both the 4:00 p.m. and 5:00 p.m. return flights or accomplish the same result by calling the airline directly or by calling the airline twice. The travel agent may also accommodate the customer by booking an "open" return.

As CRSs began distributing billing data (known as "BIDT") in magnetic form, third-party vendors began to develop "auditing" software that analyzed the information purportedly to identify invalid bookings. Since mid-1994, when this software came into widespread use, some SABRE participating carriers have disputed their bills citing audits that reveal they were charged for such items as passive segments (where the passenger name does not match a reservation in the carrier's internal system), bookings from non-ARC/IATA locations, duplicate bookings, bookings made in allegedly fraudulent names (e.g., "John Doe," "Mr. Test," "Jones A/B/C", etc.) and bookings for flight segments that the carrier does not operate. While some carriers simply requested refunds of fees already paid, other carriers -- including the Defaulting Carriers -- rejected portions of the bills and withheld payment.

³ The Defaulting Carriers also allege that such bookings are made solely to meet productivity requirements. No carrier, however, has documented that such a phenomenon takes place with regularity. Moreover, such claims fly in the face of the facts in that such bookings are generally, and historically, made to accommodate or service customer needs.

Efforts by The SABRE Group to Resolve Customer Billing Disputes

As a customer accommodation, The SABRE Group has provided credit for bookings that are invalid based on the carrier's published schedules, *e.g.*, invalid flight numbers, city-pairs, days of operation. Our credit policy is included in the *Associate Billing Service Handbook* (Attachment 3). The *Handbook* also includes a list of products developed by The SABRE Group to help carriers better manage their inventory and reduce the number of objectionable Bookings. Additional products were announced in a December 1996 letter (Attachment 4). Nevertheless, a few carriers continue to reject segments on the basis that certain passenger segments booked in SABRE are not "for transportation" and that The SABRE Group must prove that each such booking is associated with an "intent" to travel.

The SABRE Group has met, repeatedly, with representatives of the Defaulting Carriers to find ways to resolve the disputes without terminating CRS services or involving the Department or the courts. The company's flexibility in resolving these disputes is plainly limited, however, because The SABRE Group as a system vendor under the CRS Rules must maintain a consistent approach to booking fee credit requests, so as not to create questions under 14 C.F.R. Part 258.6(a) (which requires uniform and non-discriminatory fees).

In its discussions with these carriers, The SABRE Group has focused on a number of points:

(1) **Travel agents are the agents of the carriers.** Carriers can and do set rules for the booking practices their agents must follow. This right stems from the agreements by which air carriers appoint their agents, giving the carriers broad rights to cancel the appointments in case of abuse (Attachment 5, at Section 80 page 6, VII (H) and page 19, XXIX (E)).⁴ Likewise, the carrier can utilize a debit memo to charge back to the agency any booking fees incurred by the carrier as a result of unacceptable booking practices. All of the practices at issue are, fundamentally, a matter for resolution between the carrier and its agents. Recognizing this, a number of carriers have started to publish booking guidelines, amended the ARC sales agreement, and initiated debit memos for unacceptable behavior. (See, *e.g.*, Attachment 6, *Travel Distribution Report*, January 30, 1997)

(2) **The Agreement requires payment for these bookings.** The Agreement provides no right for a refund of booking fees regardless of the nature of the booking. The SABRE Group's contractual responsibility regarding allegedly abusive bookings is limited

⁴ Attachment 5, at Section 4 page 2 contains a "Code of Reservation Ethics" that travel agents must follow as part of their appointment. The section begins with the following: "Each carrier has its own method of controlling seats on an aircraft." (emphasis added).

to investigating subscriber abuse and, at its option, taking appropriate measures against the subscriber (Attachment 2, Art. 1.9). The SABRE Group has fulfilled its obligations to process the bookings, having provided services to the carrier under the Agreement, and is entitled to payment.

(3) **The auditing software is highly flawed.** Although the Agreement does not require that The SABRE Group prove that participating carriers receive value for each booking, on many occasions we have reviewed statistically valid samples of rejected segments selected by the carriers based on the "audits." In these instances SABRE employees have obtained the actual passenger name records and, where necessary, contacted the travel agencies in question to inquire about the disputed bookings. In the vast majority of the bookings investigated, the rejected booking was either ultimately ticketed (resulting in a paying passenger) or canceled (resulting in a cancellation fee of 12¢ as opposed to a full booking fee), or there was some other significant customer service provided by the agency (e.g., invoicing, itineraries, seat requests and special meal requests). Thus, under any standard, the overwhelming majority of the bookings in question are neither "abusive" nor "speculative" and enable the carrier to serve its passengers.

Unfortunately, the auditing software is not sophisticated enough to allow the carrier to determine -- without a time-consuming evaluation of individual passenger records -- whether the segments classified as "abusive" resulted in ticketed passengers, cancellations, or other passenger service. For example, if a typographical mistake was made by either the travel agent or the carrier's internal reservation department, a passive booking may not precisely "match" the internal system, e.g., a misspelled passenger name. The audit will result in this booking being rejected for payment by the carrier even though there was a real, paying passenger associated with the passive booking. The same is true where the auditing software rejects valid O&D's booked by city code, e.g. "LON", instead of airport code, e.g. "LHR."

Similarly, "duplicate" bookings are indiscriminately rejected when a group booking is made in the name of the company requesting group service rather than the passengers. One carrier rejected numerous bookings under, "Jesse, Sally" on the same flight, claiming they were "duplicate segments." The SABRE Group's investigation revealed that the bookings were for participants in the "Sally Jesse Raphael" television show who were booked as a group under the name of the program. The SABRE Group audits of rejected PNR's also revealed actual ticketed passengers with the last names "Flight", "Fly" and "Sell."

The Defaulting Carriers nevertheless continue to rely on the auditing software to generate list of "rejected" bookings, which these carriers then refuse to pay for on the ground that the disputed bookings were "not for transportation." These carriers do not conduct an independent investigation of the bookings that show up on the report. They simply refuse payment.

(4) Lack of ARC/IATA numbers does not make the Booking invalid. Some of the Defaulting Carriers reject bookings on the basis that the billing data tapes SABRE provides do not contain an ARC/IATA number for the subscriber making the challenged bookings. Absurdly enough, these carriers make this claim with respect to bookings that come from *non-ARC/non-IATA* agencies. The carriers claim that such a number is "required" pursuant to Part 255.6(d) and that unless The SABRE Group can provide this number, they are not obligated to pay for the booking. The common sense meaning of Part 255.6(d), however, is that the rules require an ARC/IATA number *only* if one is available. The lack of such a number does not make the booking invalid or improper under the CRS Rules.

(5) Neither the Agreement nor business practice require that all segments booked reveal an "intent to" travel. The Defaulting Carriers reject fees on the basis that they need not pay for segments unless The SABRE Group can show that there was an actual "intent" to travel associated with the booking. The language of the Agreement does not require The SABRE Group to demonstrate any such intent. Moreover, this test is simply impractical. As it is impossible to monitor bookings as they are being made, this standard would require an *ad hoc* analysis of each disputed booking whereby The SABRE Group would have to obtain an affidavit from the travel agent or passenger that there was "intent" to travel associated with the booking.⁵ But even that analysis begs the question. What is "intent to travel"? If a passenger knows he or she is likely not to make a trip, but tells the airline's travel agent to make the booking just in case, is that sufficient "intent" to travel?

Ultimately, these matters are for carriers and their agents to work out. The contract does not require The SABRE Group to validate the purpose of each booking as it occurs. The fact that the agent may be engaged in "abuse" is no justification to refuse to pay a CRS vendor, any more than a homeowner could withhold partial payment of his monthly electrical bill on the ground that his children had ignored instructions not to leave the lights on.

(6) The Department has rejected prior requests to regulate the type of bookings for which system vendors may charge. The CRS Rules provide a general framework under which participation in CRS's is governed, and where the rules do not explicitly deal with a vendor practice, the matter is left to the contracts in place between system vendors and participating carriers. As the Department stated in the preamble to the 1992 CRS Rules revision: "We are adopting only those rules that will produce public benefits significantly outweighing their costs. We are also avoiding regulations that would force us to engage in an unnecessarily detailed oversight of CRS operations." [57 *Fed. Reg.* 43, 781 (1992)]

⁵ For example, in its dispute with America West, The SABRE Group would be required to research and/or obtain affidavits for almost one million rejected bookings.

To the extent that the Department has considered the issue of whether system vendors can charge for certain kinds of passenger segments, the Department has wisely avoided adopting regulations. For example, the Department has already dealt with the issue of fees for "passive" bookings and rejected proposed rules that would have altered vendor pricing policies. During the 1992 Rulemaking, a number of commenters contended that a participating carrier should only be charged for transactions that produce new bookings for it. In particular, these carriers asked the Department to stop vendors from charging booking fees when a traveler who made a reservation directly with a carrier then has a travel agent issue a ticket through a CRS (i.e., a "passive" booking). *Id.* at 43, 818

The Department recognized that vendors have "legitimate reasons for charging fees for transactions other than new bookings." *Id.* While some carriers requested that the Department limit the kinds of transactions subject to fees, the Department declined⁶:

In essence, their proposal would require us to determine on some basis when fees could be legitimately charged by a vendor. The customary approach to such questions for public utility regulation would involve a complex and partly arbitrarily synthesis of cost analysis, equity and the ability of different parties to pay charges. Deciding which transactions should or should not incur fees would require a similar analysis, which we are unwilling to do. [57 *Fed. Reg.* 43, 818 (1992)]

Regulatory Analysis: Failure to Pay Non-Discriminatory Booking Fees

Despite The SABRE Group's efforts at compromise, a few carriers continue to reject booking fees without, we believe, a valid basis. ATA sued The SABRE Group in Indianapolis seeking a refund for the disputed fees (and has now rejected over \$200,000 in booking fees). America West's continued non-payment compelled The SABRE Group to sue it in Fort Worth when the rejected fees reached \$2.0 million (The total is now at \$2.8 million and growing, on average, at \$85,000 per month). Egypt Air has rejected almost \$500,000 in disputed fees.

By operation of Part 255.11 (formerly 255.9), a CRS must offer its services to any carrier that agrees to enter into a contract that complies with the CRS Rules *and* pays a non-discriminatory fee. In its notice of proposed rulemaking, the Department explained that this provision was needed to combat the problem of "free riders." 49 *Fed. Reg.* 11,668 (1984). Part 255.11 was designed to deal with the situation where a carrier might refuse

⁶ Likewise, the Department has recognized the benefits of productivity pricing as encouraging a travel agency to make efficient use of its CRS equipment. [57 *Fed. Reg.* 43, 826 (1992)] In fact, "almost all parties commenting on the issue defended productivity pricing and asserted that it should be allowed." *Id.* Moreover, as mentioned earlier, substantiated abuse under Article 1.9 of the Agreement can result in the reduction of any productivity incentives earned through the use of "abusive" bookings or, if warranted, termination of access to SABRE.

"to pay a non-discriminatory fee." *Id.* The Department stated that the rule permits system vendors "to give less preferred treatment to carriers that refuse to pay non-discriminatory fees." *Id.* Moreover, the Department noted that system vendors, "through the ongoing negotiation process, will be in a much better position to weigh and evaluate the business motivations of participating carriers" that refuse to pay non-discriminatory fees. 49 *Fed. Reg.* 11,668 (1984). Part 255.11 gives the system vendor "the option of removing a carrier from its system entirely." *Id.*⁷

The regulatory regime leaves a system vendor -- who like The SABRE Group is confronted with a pattern of deliberate non-payment (or underpayment) -- little choice but to take some action against non-paying carriers. As the Department stated:

Moreover, any inclination to give non-contributing carriers the rights given participating carriers will be tempered by the knowledge that such an action creates the risk of being found in violation of the prohibition on discriminatory fees. *Id.*

In other words, a vendor cannot choose to allow one carrier to withhold payment for certain types of segments without running afoul of the rule requiring that all airlines be charged the same fee for the same level of service. Under the CRS rules, a system vendor is not required to carry the services of a participating carrier that refuses to pay its bills when due.

The SABRE Group applies its pricing policy in a non-discriminatory manner: All bookings are charged at the same price at the same level of connectivity. Credit for disputed bookings is handled pursuant to the policy clearly set out in the company's *Handbook*. Credit is given where SABRE does not accurately reflect the carrier's scheduled service, e.g. wrong flight number, flight dates, invalid city pairs. Thus, carriers that refuse to pay for bookings on some other basis are failing to pay non-discriminatory fees, as required under 255.11. While these carriers may disagree with SABRE's fee structure, the regulations do not allow the carriers unilaterally to reduce their average booking fee by simply withholding payment, when the vast majority of carriers pay their CRS bills in full and on time. Allowing a small number of carriers to continue to reject booking fees indirectly gives them an illegal price reduction; if not a "free ride," then a reduced-price ticket.

While "free riding" of this sort may not be as costly as that envisioned by the Department in the 1984 Rulemaking (*i.e.* complete non-payment), it is, in fact, more insidious. Depending on the whim of the carrier, it can help itself in effect to a discount on

⁷ The Department's concerns about "free riders" are also found in the preamble to the final rules. There, the Department described the issue of free riding as: "A participating carrier that refuses to pay a non-discriminatory fee, but nonetheless expects to get full access to systems." 49 *Fed. Reg.* 32,558 (1984). In adopting the final rule, the Department decided that "a CRS will have the option of totally excluding non-paying carriers." *Id.*

booking fees which, precisely because it is "only" five or ten percent of the total bill, makes it difficult for the system vendor to justify taking decisive action against the carrier until all efforts at compromise and negotiation have been exhausted. The Department should not allow the Defaulting Carriers to escape the consequences of their conduct.

Finally, the concerns of carriers regarding certain types of bookings has not gone unheeded by The SABRE Group. As the Department correctly predicted during the rulemaking, market factors will cause vendors to act responsively to customer concerns when it comes to booking fees. 49 *Fed. Reg.* 32558 (1984). In our case, The SABRE Group has invested millions of dollars in new products and technologies-- such as Travel Service Segment Validation, Duplicate Audit Check, Passenger Notification Messaging (which notifies carriers of passive segments at the time they are booked), Name Change Restriction, Associate Booking Control -- that facilitate control by the carriers of booking behavior in a manner consistent with the practices *they* wish to encourage or discourage, *i.e.*, each carrier's "own method of controlling seats on an aircraft." Unfortunately, as has become apparent in the course of negotiations with the carriers over disputed segments, it is far easier for the Defaulting Carriers to withhold segment fees from a system vendor than it is to address booking practices with their travel agents.

To deal with this situation, and in order to treat carriers equally, The SABRE Group has established the following criteria under which the company will determine whether and when to issue 30-day termination notices to carriers underpaying their bills.⁸ As in the past, The SABRE Group is reluctant to take this step and will only do so when the matter escalates to a certain point. Carriers will receive a 30-day termination letter when:

1. The amount rejected over a three month period exceeds 5% of the total SABRE booking fees charged to the carrier over that same period or when the total rejected exceeds \$1 million, whichever comes first; and
2. Negotiations to resolve the dispute reach an impasse. Negotiations with the carriers will include The SABRE Group providing the carriers with a statistically reliable sample of the rejected booking fees intended to prove the value of the rejected bookings to the carrier, regardless of the clear language of the Agreement.

As with America West, I will write to any affected carriers and give them notice of the pending termination. Most importantly, I will also give them the option to pay their outstanding SABRE invoices so as to avoid termination. As with America West, the letter will point out that they are free to apply for credit under our policy, to pursue any legal remedy for a refund or otherwise to contest in any proper forum the meaning of the

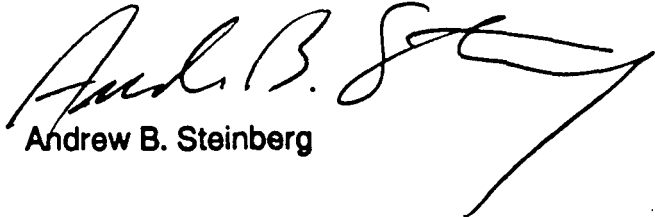
⁸ Nothing in this letter should be construed as a waiver by The SABRE Group of any of its rights under the Agreement to deal with non-payment by participating carriers, including termination on five days notice as provided for in Schedule II (H).

Ms. Nancy McFadden
March 17, 1997
Page 10

Agreement, or apply to the Department for changes in the Rules. We can, however, no longer tolerate the continued withholding of booking fees while providing full access to SABRE.

If you have any questions, please feel free to contact me.

Very truly yours,



Andrew B. Steinberg

Enclosures

cc: Mr. Samuel Podberesky
Mr. Tom Ray



Andrew B. Steinberg

Senior Vice President

General Counsel and Corporate Secretary

March 17, 1997

Via Certified Mail - Return Receipt Request

Mr. Stephen L. Johnson
Senior Vice President, Legal Affairs
America West Airlines, Inc.
4000 E. Sky Harbor Blvd.
Phoenix, AZ 85034

Re: Notice of Termination

Dear Mr. Johnson:

This letter will serve as 30 days notice of our intent to terminate the SABRE Participating Carrier Distribution and Services Agreement (the "Agreement") between your company and The SABRE Group, Inc. Pursuant to Article 6 of the Agreement¹, please be advised that the Agreement will terminate on April 22, 1997 at 12:01 a.m. EST.

As you may be aware, America West has continually failed to pay non-discriminatory fees as established by the SABRE Travel Information Network ("STIN") pursuant to the applicable Department of Transportation CRS Regulations (14 C.F.R. 255.6 & 255.11). Your company can avoid termination of the Agreement by: (1) paying all previously rejected STIN invoices to The SABRE Group prior to close of business (6:00 p.m. EST) on April 21, 1997 either through the appropriate clearing house or by certified check; and (2) continuing to pay monthly STIN invoices in full, subject to any credits agreed to by The SABRE Group. All requests for credit will be handled, as they are for all other Associates, pursuant to the *Associate Billing Service Handbook*. A current statement listing the rejected amounts is enclosed.

America West recently asserted a claim against The SABRE Group in pending litigation in Fort Worth (*America West v. The SABRE Group, et al.*, District Court of Tarrant County, State of Texas, Cause No. 153-164567-96) with respect to prior invoices. I want

¹ "This Agreement shall commence on the date signed by a duly authorized agent of SABRE Group and shall continue in effect thereafter until terminated by either party upon thirty (30) days prior written notice to the other party, which notice may be given at any time."

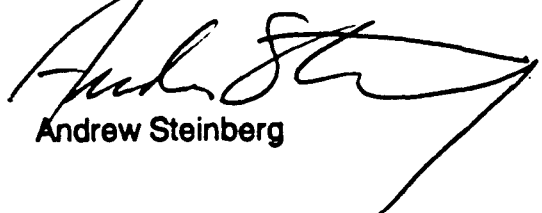
Mr. Stephen Johnson
March 17, 1997
Page 2

to emphasize that payment of these past due and future STIN invoices by your company will be *without prejudice* to any claim you may assert with respect to a refund of segment charges under applicable law. We would be happy to work out a written stipulation with your company to that effect.

Payment, or notification of payment, should be made to the attention of Scott Alvis at (817) 931-0794, 4200 American Blvd., MD 3119, Fort Worth, TX 76155.

We regret that this action has become necessary.

Sincerely,



Andrew Steinberg

ABS:sdm
Enclosure

cc: Bill Spillman
Director - Market Automation Services
America West Airlines, Inc.
Via Certified Mail - Return Receipt Request

p:\311627\booking.fee\amwest.ter

SABRE Travel Information Network
P.O. Box 619615 - MD 3360
DFW Airport, Texas 75261-9615

Bank Reference TRCRSRAL
Invoice Date 12/31/96
Account Number: HP
Invoice Number: 0088

Currency	Account Balance	Amt Paid
USD	2,918,901.00	

PAYMENT ADDRESS:
SABRE GROUP, INC.
P.O. BOX 672047
DALLAS, TX 75287-2047

AMERICA WEST AIRLINES
Attn: Carol Brescia
Mail Code HY-CRC
4000 E. Sky Harbor Blvd.
Phoenix, AZ 85034

CUSTOMER SERVICE INQUIRIES:
1-800-892-5108

STATEMENT

Bank Reference TRCRSRAL
Invoice Date 12/31/96

DATE	NBR	AMOUNT	ADJUSTMENTS	BALANCE
12/31/96	0088	44,464.00		44,464.00
11/30/96	0087	59,859.00		59,859.00
10/31/96	0086	54,917.00		54,917.00
9/30/96	0085	107,075.00		107,075.00
8/31/96	0084	137,883.00		137,883.00
7/31/96	0083	50,907.00		50,907.00
6/30/96	0082	75,674.00		75,674.00
5/31/96	0081	78,537.00		78,537.00
4/30/96	0080	114,572.00		114,572.00
3/31/96	0079	111,702.00		111,702.00
2/29/96	0078	102,510.00		102,510.00
1/31/96	0077	108,764.00		108,764.00
12/31/95	0076	85,904.00		85,904.00
11/30/95	0075	102,128.00		102,128.00
10/31/95	0074	118,116.00		118,116.00
9/30/95	0073	100,587.00		100,587.00
8/31/95	0072	97,561.00		97,561.00
7/31/95	0071	70,118.00		70,118.00
6/30/95	0070	74,829.00		74,829.00
5/31/95	0069	82,718.00		82,718.00
4/30/95	0068	103,233.00		103,233.00
3/31/95	0067	100,928.00		100,928.00
2/28/95	0066	98,015.00		98,015.00
1/31/95	0065	72,130.00		72,130.00
12/31/94	0064	73,336.00		73,336.00
11/30/94	0063	53,908.00		53,908.00
10/31/94	0062	60,911.00		60,911.00
9/30/94	0061	70,597.00		70,597.00
8/31/94	0060	79,820.00		79,820.00
7/31/94	0059	69,989.00		69,989.00
6/30/94	0058	70,341.00		70,341.00
5/31/94	0057	73,614.00		73,614.00
4/30/94	0056	69,114.00		69,114.00
3/31/94	0055	79,680.00		79,680.00
2/28/94	0054	64,460.00		64,460.00
BALANCE				\$2,918,901.00

PAYMENT ADDRESS:
SABRE GROUP, INC.
P.O. BOX 672047
DALLAS, TX 75287-2047

SEND BILLING INQUIRIES TO:
SABRE Travel Information Network
S.T.I.N. Finance
P.O. Box 619615 - MD 3360
DFW Airport, Texas 75261-9615

LOCATION ADDRESS:
AMERICA WEST AIRLINES
Attn: Carol Brescia
Mail Code HY-CRC
4000 E. Sky Harbor Blvd.
Phoenix, AZ 85034



**SABRE PARTICIPATING CARRIER
DISTRIBUTION AND SERVICES AGREEMENT**

**THE SABRE GROUP, INC.
P. O. Box 619615
MAIL DROP 3125
Dallas Ft. Worth Airport, Texas 75261-9616**

**4200 American Blvd.
MAIL DROP 3125
Fort Worth, Texas 76155**

**Telephone: (817) 963-4656
Facsimile: (817) 931-6332
SITA: HDQAJAA**

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ADDENDA

Total Access Optional Services Addendum

Amendment to Total Access Optional Services Addendum

Total Access Direct Connect Air Optional Services Addendum

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Point of Sale Services Addendum

**Ad Hoc Schedule Change Message (ASM) and Standard Schedule Change Message
(SSM) Optional Services Addendum**

DRS Optional Services Addendum

MIDT Optional Services Addendum

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Extended PNR Optional Services Addendum

Ticket Control Number Optional Services Addendum

Carrier Specific Display (CSD) Optional Services Addendum

Name Change Restriction Optional Services Addendum

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Automated TOD/PTA Optional Services Addendum

Miscellaneous Optional Services Addendum

Codesharing Agreement

**SABRE PARTICIPATING CARRIER DISTRIBUTION
AND
SERVICES AGREEMENT**

This Agreement is made as of the date set forth below between The SABRE GROUP, INC., a Delaware corporation having a principal place of business at 4200 American Boulevard, Fort Worth, Texas 76155 ("SABRE Group") and the air carrier identified on the signature page of this Agreement ("Participating Carrier").

RECITALS

- A. SABRE Group provides, through the SABRE Travel Information Network ("STIN"), a division of The SABRE Group, a computerized reservations service with related data processing activities.
- B. Participating Carrier operates air transportation services.
- C. The parties desire to enter into an agreement concerning the booking of reservations, the sale of the Participating Carrier's air services through SABRE, and the provision of related optional services.

NOW THEREFORE, in consideration of the mutual covenants set forth below, the parties agree as follows:

ARTICLE I

RESPONSIBILITIES OF SABRE GROUP

- 1.1 SABRE Group shall maintain and operate SABRE and provide the services identified in this Agreement. Such services, where applicable, shall be provided in accordance with the Display Parameters.
- 1.2 SABRE Group shall maintain and operate SABRE in accordance with applicable GDS Rules.
- 1.3 SABRE Group shall process all Bookings created by SABRE Subscribers, exercise its best efforts in the processing of transactions on behalf of the Participating Carrier and shall handle information relating to Participating Carrier with the same care as information relating to American Airlines, Inc. ("American")
- 1.4 In any display required by applicable GDS Rules, SABRE will display Participating Carrier's direct and Connecting Services according to the same criteria as that applied to the services of American or any other Participating Carrier. It is expressly agreed, however, that SABRE Group may, without waiver of any other right or remedy, and at its option, suspend its obligations under this Article 1.4 during any period of time in which a Sponsored GDS fails to provide non-discriminatory loading, display, and distribution of the direct and Connecting Services of (i) American, or any air carrier which obtains an ownership interest in SABRE or (ii) any SABRE Licensee or any airline which has an ownership interest in any SABRE Licensee.
- 1.5 SABRE Group agrees, with respect to its performance under this Agreement, to ensure that SABRE fully complies with the interline reservations policies, procedures and message formats set forth in "Standard Interline Passenger Procedures" (SIPP) and "ATC/IATA Reservations

Interline Message Procedures" (AIRIMP) or amendments thereto. SABRE Group will review rejected messages and investigate the development of new solutions where justified by volume.

- 1.6 Subject to SABRE software, programming and capacity constraints, and the Display Parameters, SABRE Group will include, at Participating Carrier's request, a maximum of ten (10) Connect Points in each SABRE City Pair Record in which the Participating Carrier offers service.
- 1.7 SABRE Group shall maintain a help desk facility for the purpose of answering Participating Carrier's questions regarding the operation of the SABRE system, and data within the SABRE system.
- 1.8 SABRE Group shall provide reasonable billing documentation to Participating Carrier to substantiate billings under this Agreement, including, but not limited to, a Booking information summary of Bookings by SABRE Subscriber location for Participating Carrier's flights. For purposes hereof, all easySABRE and Travelocity Subscribers shall be deemed to be a single location. In addition, SABRE Group shall provide a country-by-country summary of all Bookings made by Professional SABRE Subscribers.
- 1.9 Upon receipt of documented evidence from Participating Carrier of a history of instances of speculative Bookings or other related abusive practices by a SABRE Subscriber involving the sale of Participating Carrier's air transportation services, SABRE Group shall, if warranted after reasonable investigation, assist Participating Carrier by initiating appropriate, timely and reasonable remedial measures against such SABRE Subscriber.

ARTICLE II

RESPONSIBILITIES OF PARTICIPATING CARRIER

- 2.1 Participating Carrier, at its own cost, shall coordinate its reservations services with SABRE to provide as advantageous and uniform reservations services to all SABRE Subscribers as it provides through any other GDS. In addition, any improvements, enhancements, or additional functions to Participating Carrier's reservations services offered to end users of any GDS will be offered by Participating Carrier to SABRE Subscribers on the same terms and conditions as are agreed to with such GDS. Such services shall include, but are not limited to, ticketing capability, passenger information, interim schedule change data, fare data, fare quotations, and procedural information. Seat availability on each flight will be on a segment or first closing basis, and shall be in accordance with the provisions of Article III of this Agreement.
- 2.2 Participating Carrier may use the name "SABRE" in any promotional material, subject to SABRE Group's prior written approval, provided that SABRE Group's or its affiliates, service mark in the name is fully protected. SABRE Group's approval shall not be unreasonably withheld.
- 2.3 Participating Carrier may use the name "FANTASIA" in any promotional material aimed at FANTASIA Subscribers, subject to APD's prior written approval, provided that APD's service mark in the name is fully protected. APD's approval shall not be unreasonably withheld.
- 2.4 Participating Carrier will provide SABRE Group, as rapidly as possible, with all revisions to its information concerning services provided to passengers, including interim schedule change data, fare data and fare quotations, and such other material that may be included in SABRE. Participating Carrier will not close its flights to SABRE Subscribers on a less favorable basis than it uses to close flights to users of any GDS. Participating Carrier will transmit revisions immediately by AVS messages. Participating Carrier shall not withhold from SABRE

Subscribers in any country any fare inventory class made available by Participating Carrier to users of any other GDS in that country.

- 2.5 If Participating Carrier elects to submit Connect Point information to SABRE Group it shall be via magnetic tape and shall conform to the specifications contained in the custom routing file city pair information record/tape as defined in the Display Parameters.
- 2.6 Participating Carrier will establish a special reject queue in its teletype reject system in which reservations made through SABRE, but not automatically processed by Participating Carrier's system, will be handled on a priority basis. Participating Carrier will not treat SABRE reject messages with any less speed and priority than that given reject messages from other systems, including, without limitation, Sponsored GDS's and Third Party Systems.
- 2.7 Participating Carrier will accept for transportation any passenger carrying a ticket, which bears an "OK" status and has been issued through SABRE, even though no record of this reservation may exist in its own reservations system.
- 2.8 Participating Carrier will not send unable to sell or confirm (US/UC) messages on any record residing in Participating Carrier's system for more than twelve (12) hours.
- 2.9 Participating Carrier agrees, with respect to performance under this Agreement, to ensure that its reservations system fully complies with the interline reservations policies, procedures and message formats set forth in "Standard Interline Passenger Procedures" (SIPP) and "ATC/IATA Reservations Interline Message Procedures" (AIRIMP) or amendments thereto. Participating Carrier will review rejected messages and investigate the development of new solutions where justified by volume.
- 2.10 If Participating Carrier elects to provide pricing assistance on such routes as it may designate, it will provide such assistance to all SABRE Subscribers.
- 2.11 Should Participating Carrier desire SABRE Access, it shall execute the standard SABRE Access Agreement.
- 2.12 Unless notified otherwise on thirty (30) days written notice, Participating Carrier will use ARINC/SITA address, HDQRIAA, in addressing all AVS messages to SABRE.
- 2.13 Except as otherwise agreed, Participating Carrier will accept sales made by SABRE Subscribers up to a maximum of four (4) or seven (7) seats per transaction (based upon Participating Carrier's previous designation) until receipt by SABRE of an AVS message closing flight/class/segment/date of Participating Carrier.
- 2.14 For transportation documents (whether used, voided or subsequently refunded) where Participating Carrier is the validating carrier, Participating Carrier agrees that SABRE Group or its affiliates may act as its agent for purpose of obtaining credit card authorizations. SABRE Group shall exercise its best efforts to obtain such authorizations in accordance with the procedures specified by Participating Carrier and the credit card issuer (or its agents). Participating Carrier shall supply SABRE Group with all data that SABRE Group reasonably requires to perform this service, including, but not limited to, the identity of the cards that it accepts and the respective floor limits.
- 2.15 At such time as offered by SABRE, transportation documents validated on Participating Carrier which are magnetically encoded shall be subject to an Optional Service fee. If magnetic encoding of transportation documents is desired by Participating Carrier, it shall execute an Optional Service Addendum to this Agreement.

- 2.16 SABRE Group shall use reasonable efforts to obtain the fares and fare rules which apply to Participating Carrier's flights from industry fare suppliers. If SABRE Group is unable to obtain such information after reasonable effort, Participating Carrier shall promptly supply, upon SABRE Group's request, the information to SABRE Group for loading in SABRE. Participating Carrier agrees to give SABRE thirty (30) days advance written notice of any changes to their fare vendor. The information shall be provided on magnetic tape or other medium mutually agreed upon by the parties. Any changes or revisions to such fares or fare rules shall thereafter be regularly submitted on a timely basis to SABRE Group by Participating Carrier by way of the same medium. Notwithstanding the foregoing, Participating Carrier shall submit such fare information on at least as timely and regular basis as is used for any other GDS. For fares and rules not submitted to SABRE through an industry fare supplier, Participating Carrier agrees that it will not issue a debit memo to a SABRE Subscriber for any SABRE auto-priced ticket wherein the debit memo is a result of a fare change about which Participating Carrier failed to notify SABRE Group at least ten (10) days prior to the effective date of that fare change.
- 2.17 Participating Carrier hereby grants ticketing authority through SABRE for its transportation services to all Professional SABRE Subscribers worldwide who hold plating approval, or who are authorized through whatever means to issue transportation documents (whether manually or automatically through any GDS) on its behalf. Participating Carrier authorizes Professional SABRE Subscribers to automatically plate tickets on its behalf in each territory where, at any time during the term of this Agreement, Participating Carrier is or becomes a member of any neutral ticketing scheme in which SABRE is a System Provider. Participating Carrier expressly agrees to promptly execute all agreements or other authorizations which SABRE Group, at its sole discretion, shall deem necessary to implement such authority for SABRE.
- 2.18 Participating Carrier agrees that it will not discriminate in any manner, whatsoever, against any SABRE Subscriber on account of that Subscriber's selection, possession, or use of SABRE.

ARTICLE III

BASIC LEVEL OF PARTICIPATION

- 3.1 The following two (2) levels are available to Participating Carrier for Basic SABRE Participation. For each level described below, SABRE shall construct and display Participating Carrier's Connecting Services in accordance with the Display Parameters, as well as display the Participating Carrier's schedules and fares on a non-discriminatory basis, subject to Article 1.4:

Please select the desired level of participation and place a check mark next to the appropriate selection.

- _____ A. **Basic Booking Request**
Participating Carrier will exchange reservations messages with SABRE via teletype as set forth in Article 2.9. The Basic Booking Request level of participation is inclusive of only the functionality listed in Attachment 4. Participating Carrier shall not offer, implement or participate in processes or functionality for use by SABRE Subscribers in connection with SABRE that will add to or expand the features listed in Attachment 4. Participating Carrier shall pay SABRE Group the following fees per Booking based on the country of origin for the Booking message:

- | | |
|--|----------|
| - United States, Canada and Mexico -
(including Puerto Rico and
U.S. Virgin Islands) | USD 1.65 |
| - Europe (see Attachment 3) | ECU 1.60 |
| - South Pacific (See Attachment 3) | USD 1.95 |
| - All Other Countries | USD 2.00 |

SABRE Group will store availability status for Participating Carrier in accordance with either SIPP Resolutions 105.195/105.200; or IATA Resolution 766.(23), IATA Recommended Practice 1771 and AIRIMP 4.

_____ Option 1. Segment availability status changes to be sent for all flights.

_____ Option 2. No segment availability status changes to be sent by Participating Carrier. All Booking requests will be sent as "NN" status code.

- _____ B. **Full Availability**
Participating Carrier will provide availability for display in SABRE utilizing the functionality as listed in Attachment 5. Participating Carrier shall pay SABRE Group the following fees per Booking based on the country of origin for the Booking message:
- | | |
|--|----------|
| - United States, Canada and Mexico
(including Puerto Rico and
U.S. Virgin Islands) | USD 2.65 |
| - Europe (see Attachment 3) | ECU 2.59 |
| - South Pacific (see Attachment 3) | USD 2.93 |
| - All Other Countries | USD 3.02 |

SABRE Group will store availability status for Participating Carrier in accordance with either SIPP Resolutions 105.195/105.200; or IATA Resolution 766.(23), IATA Recommended Practice 1771 and AIRIMP 4.

If Full Availability is selected, please place a check mark next to the availability exchange option preferred:

- _____ Option 1. All segment availability status changes on all flights. (If choosing Option 1, also check here _____ if "L" type AVS codes, which require expanded storage records, will be sent.)
- _____ Option 2. First closing message on all flights.

Article 3.1.1 (Cancellation Fee)

If Participating Carrier has selected option B (Full Availability) then, for each Cancellation of a Booking made prior to the date of departure by a SABRE Subscriber, Participating Carrier shall pay SABRE Group a fee for each such Booking so canceled ("Cancellation Fee") as stated below:

North America (United States including Puerto Rico and U.S. Virgin Islands, Canada and Mexico)	\$0.12
Rest of World (all countries outside North America and Europe as Europe is defined in Attachment 3)	\$0.14

SABRE Group shall have the right to assess a Cancellation Fee not exceeding 0.13 ECU per Cancellation for Cancellations made by SABRE Subscribers located in Europe upon thirty (30) days written notice to Participating Carrier.

ATTACHMENT 4

BASIC BOOKING REQUEST

SCHEDULES	<u>Integrated</u> with other carriers <u>No</u> Interline Connections displayed Schedules for next <u>180</u> days <u>One</u> update per month ¹
AVAILABILITY	<u>Integrated</u> with other carriers <u>No</u> Interline Connections displayed Inventory <u>not</u> displayed Up to <u>6</u> Inventory Categories in <u>One</u> cabin ¹ Availability for next <u>180</u> days
BOOKING	<u>Automated</u>
FARES	Integrated with other carriers Fares for next <u>180</u> days <u>One</u> update per day (15 "second" updates per year) ¹
TICKETING	Online ticketing <u>only</u> Automated ticketing in home country <u>only</u>
SERVICES	<u>No</u> interline PNRs <u>No</u> ticket numbers transmission <u>No</u> FQTV, SSRs ² , OSIs ¹ <u>No</u> Pre-Reserved seats, Boarding Pass <u>No</u> Seat Maps ¹ <u>No</u> meals and <u>only</u> one aircraft type <u>No</u> Extended PNR Data

¹ Enhanced service available subject to the payment of the prevailing charges

² Operationally required SSRs, such as "Wheel-chair required," supported at no additional charge

ATTACHMENT 5

FULL AVAILABILITY

SCHEDULES	Integrated with other carriers Interline Connections Up to 331 days are displayed Unlimited Schedule updates
AVAILABILITY	Integrated with other carriers Interline Connections Inventory is displayed Up to 14 Inventory Categories Multiple cabins allowed 331 days are displayed
BOOKING	<u>Automated</u>
FARES	Integrated with other carriers Unlimited Fare Updates Future Fares for 331 days Bargainfinder Plus
TICKETING	Online/Interline ticketing <u>Automated</u> ticketing (global)
SERVICES	Interline PNRs Can send ticket numbers FQTV/SSRs/OSIs Pre-Reserved seats/Boarding Pass Seat Maps Meals and Multi Aircraft Types Displayed May upgrade to Total Access Queue Access Name Change Restriction capability in PNR

3.2 Schedule Supplier Selection:

Please check which supplier of schedule information listed below shall be considered the primary source of Participating Carrier's schedule information:

ABC _____ APD _____ NONE _____

NOTE 1: There will be a \$500 administrative/processing fee for each subsequent change by Participating Carrier of its primary Schedule Supplier.

- 3.3 At any time after the effective date hereof, SABRE Group may modify, on a country-by- country basis or on a worldwide basis, the amount payable under Article 3.1 and 3.1.1 by a percentage not to exceed twelve percent (12%) in any consecutive twelve (12) month period. SABRE Group shall give Participating Carrier thirty (30) days prior written notice of any increase in the amount payable under Article 3.1. and 3.1.1. Notwithstanding the foregoing, SABRE Group may modify, on a country-by-country basis (excluding the United States and Canada) the amount payable under Article 3.1 and 3.1.1 by a percentage which exceeds twelve percent (12%) in any consecutive twelve (12) month period for Bookings made by SABRE Subscribers located outside the United States and Canada, so long as the fee for each such Booking does not exceed the greater of (i) the fee charged to American for Bookings made in the particular country by subscribers to a Sponsored GDS; or (ii) the fee per Booking charged to Participating Carrier by any other GDS in which Participating Carrier participates in that country. If Participating Carrier does not agree to pay such revised fee, it may terminate this Agreement by giving written notice to SABRE Group at least five (5) days prior to the effective date of the price change.

ARTICLE IV

OPTIONAL SERVICES

Participating Carrier may elect at any time to participate in any Optional Service(s) offered by SABRE Group. Unless otherwise specified in an Addendum hereto, all terms and conditions of this Agreement will apply to the Optional Services selected by Participating Carrier. Fees for Optional Services are subject to change upon thirty (30) days prior written notice from SABRE Group. If Participating Carrier does not agree to pay any such revised fee, it may terminate the Optional Services Addendum by giving written notice to SABRE Group at least five (5) days prior to the effective date of the price change. SABRE Group reserves the right to change Optional Service offerings from time to time.

ARTICLE V

EXTRA SERVICES

- 5.1 The fees identified in Article III represent the fees charged to Participating Carrier for the services identified therein. Participating Carrier understands and agrees that SABRE Group reserves the right to charge Participating Carrier for services which it currently receives free of charge, including, but not limited to: credit card authorizations for transportation documents where Participating Carrier is the validating carrier; soliciting Participating Carrier's direct ticketing outlets (city ticket offices, airport ticket offices) as ticketing options for easySABRE and Travelocity Bookings involving Participating Carrier; and generation of transportation documents. The services which Participating Carrier receives free of charge shall be referred to

as "Extra Services." In the event that SABRE Group decides, from time to time, to assess a fee for certain Extra Services, SABRE Group shall give at least one hundred twenty (120) days prior written notice to Participating Carrier of its decision to charge for such services. If Participating Carrier does not agree to pay for Extra Services, it shall notify SABRE Group of its decision at any time before expiration of the notice period and SABRE Group shall have no obligation to provide the Extra Services to Participating Carrier beyond that date.

- 5.2 The initial fees charged for Extra Services shall not, when combined with the increase, if any, in the Charges referred to in Article 3.1, exceed twelve percent (12%) (during any 12 month period) of the then current Booking fee.
- 5.3 Any increase in the initial fees charged under 5.2, if any, for Extra Services shall not (during any 12 month period) exceed in the aggregate twelve percent (12%) of the then current fees for Extra Services.

ARTICLE VI

TERM

This Agreement shall commence on the date signed by a duly authorized agent of SABRE Group and shall continue in effect thereafter until terminated by either party upon thirty (30) days prior written notice to the other party, which notice may be given at any time.

ARTICLE VII

PAYMENT

- 7.1 SABRE Group shall submit an invoice to Participating Carrier by the fifteenth day of each month, covering all charges incurred during the previous month. Each invoice, except as otherwise provided herein, shall be settled through the applicable ACH or IATA Clearing House. All payments shall be made in U.S. Dollars. Concurrently herewith, the parties will execute the attached Memorandum of Agreement relative to such settlement (attached hereto as Attachments 1 and 2 respectively.) If Participating Carrier is a member of ACH, it must complete Attachment 1. Otherwise, and if it is a member of the IATA Clearing House, Participating Carrier must complete Attachment 2. Participating Carrier reserves the right to reject after invoicing any amount in dispute which arises out of, or is connected with, a mathematical or other substantive error in such invoice. Any rejection must be made within six (6) months of the date of the invoice. Participating Carrier agrees to explain in writing the circumstances surrounding the disputed billing and the reasons behind the rejection of the invoice by sending a teletype message to HDQIFAA. Such rejection will be processed through the ACH or IATA Clearing House in accordance with the Manual of Procedure. Unless otherwise negotiated by both parties, final settlement of disputed amounts will be resolved by prompt negotiations between SABRE Group and Participating Carrier, and resulting payments, if any, will be made outside the Clearing House within ten (10) days following receipt of a supplemental invoice.
- 7.2 If SABRE Group learns that Participating Carrier is not generally paying its bills to its creditors as they become due, or has taken steps leading to the cessation of its operation as an ongoing business, or if SABRE Group acquires other reliable information which causes SABRE Group to have reasonable grounds for insecurity concerning the prospect of payment by Participating Carrier of amounts covered by this Agreement, SABRE Group may on ten (10) days written

notice to Participating Carrier require Participating Carrier, as a condition for the extension of any further credit hereunder, to provide SABRE Group with a cash deposit, or with an irrevocable letter of credit or bond issued by a financial institution or surety acceptable to SABRE Group, in an amount equivalent to two months' expected billings.

- 7.3 Participating Carrier agrees to pay all fees for Bookings and Cancellations made by SABRE Subscribers for its Codesharing Flights. Participating Carrier agrees to cause its Codesharing Carriers to execute the Codesharing Agreement attached hereto.

ARTICLE VIIA

ACCEPTANCE OF FARES

Participating Carrier shall accept a ticket for transportation at the fare shown on that ticket provided that the ticket was automatically issued by a SABRE Subscriber at a fare consistent with the data in SABRE at the time of its automatic issuance, so long as the Booking related to that ticket has not been altered after the date of automatic issuance in any material respect affecting the fare due; provided, however, that the Participating Carrier shall be relieved of this obligation in cases of documented fraud or other knowing misconduct by the SABRE Subscriber issuing such ticket. Participating Carrier acknowledges that SABRE Group, and any Affiliate thereof, and SABRE Subscribers shall have no liability to Participating Carrier (and Participating Carrier hereby waives any rights and remedies against SABRE Group, such Affiliates thereof, and SABRE Subscribers) for any inaccuracies in the fares data shown on such ticket, except that Participating Carrier shall be entitled to pursue any rights or remedies it may have against any SABRE Subscriber which has engaged in documented fraud or other knowing misconduct with respect to the issuance of such ticket.

ARTICLE VIII

NOTICES

All notices, requests, demands or other communications hereunder shall be in writing, sent by certified or registered mail, overnight mail, facsimile or teletype and shall be deemed to have been given when received at the following addresses:

If to SABRE Group:

MD 3125
P. O. Box 619616
DFW Airport, Texas
75261-9616

If to Participating Carrier:

Address: _____

(please print)

Teletype: HDQAJAA

Please indicate the Participating Carrier's daily
correspondence teletype address: _____

Facsimile: 817-931 6332

Please indicate the Participating Carrier's
reservations teletype address: _____

Facsimile: _____

Attention: Manager, Airline Industry Distribution Attention: _____

Any notice given by facsimile or teletype which is received after 1630 local time of the recipient, shall be deemed given the following business day. Either of the above addresses may be changed on ten (10) days prior written notice to the other party.

ARTICLE IX

DEFINITIONS AND ADDITIONAL TERMS

The definitions and additional terms and conditions set forth on Schedule 1 hereof shall form an integral part of this Agreement and are deemed a part hereof by this reference.

ARTICLE X

ENTIRE AGREEMENT

This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and no amendment or modification shall be effective unless made in writing and duly executed by both parties.

The parties have executed this Agreement as of the day and year written below.

CARRIER: _____

THE SABRE GROUP, INC.

SIGNATURE: _____

SIGNATURE: _____

NAME: _____
(please print)

NAME: Alicia L. Gardner

TITLE: _____

TITLE: Manager, Airline Industry Distribution

DATE: _____

SCHEDULE 1

DEFINITIONS AND ADDITIONAL TERMS AND CONDITIONS

- I. **DEFINITIONS.** For the purposes of this Agreement, the following words shall have the meanings set forth below:
- A. ABC shall mean the airline schedules publishing product of Reed Travel Group.
 - B. ACH shall mean Airlines Clearing House, Inc.
 - B.1 "AFFILIATE" shall mean, with respect to any person or entity, any other person or entity directly or indirectly controlling or controlled by, or under common control with, such person or entity. For purposes of this definition, "control" (including, without limitation, "controlled by" and "under common control with") shall mean the power, directly or indirectly, to direct or cause the direction of the management and policies of such person or entity whether through the ownership of voting interests or by contract or otherwise.
 - C. AGREEMENT shall mean this SABRE Participating Carrier Distribution and Services Agreement.
 - D. APD shall mean Asia Pacific Distribution, LTD., a SABRE Licensee authorized to sell and service SABRE in various areas of IATA Traffic Conference 3.
 - E. AVS shall mean Availability Status Message.
 - F. BASIC SABRE PARTICIPATION shall mean one of two levels of carrier-specified SABRE participation as defined in Article 3.1.
 - G. BOOKING shall mean an airline passenger segment created by (or secured to) a SABRE Subscriber during any one calendar month in the itinerary portion of the customer's Passenger Name Record (PNR) including, but not limited to, segments created using action codes or status codes NN, SS, BK, HK and/or GK for transportation (i) on Participating Carrier's flights or (ii) Codesharing Flights made by (or secured to) a SABRE Subscriber (less Cancellations made prior to the date of departure during the same calendar month by such SABRE Subscriber). For example, one passenger on a direct flight shall be counted as one Booking, one passenger on two-segment connecting flight shall be counted as two Bookings. Multiple passengers within the same PNR segment constitute multiple Bookings.
 - H. CANCELLATION shall mean only those segments canceled by a SABRE Subscriber through SABRE.
 - I. CITY PAIR RECORD shall mean a record of flight schedules between two cities, involving direct or Connecting Service. City Pairs can be requested for addition to SABRE by Participating Carrier.
 - J. CODESHARING shall mean the industry practice whereby one carrier operates services using the airline designator code of another carrier.

- K. CODESHARING FLIGHTS shall mean flights made by a carrier ("Codesharing Carrier") using the airline designator code of a Participating Carrier.
- L. COMMERCIAL SABRE shall mean a user-friendly version of the SABRE System primarily marketed to corporations.
- M. CONNECT POINTS shall mean airports nominated by a Participating Carrier for use by SABRE in constructing Connecting Services for a specific city pair.
- N. CONNECTING SERVICES shall mean air services involving more than one flight segment. Connecting Services shall be considered multiple Bookings.
- O. CRS RULES shall mean the regulations promulgated by the United States Department of Transportation, 14 CFR Part 255.
- P. DISPLAY PARAMETERS shall mean a document issued by SABRE Group containing the procedures and methodology used by SABRE Group for loading, maintaining and displaying schedules, fares, availability, etc., in SABRE as amended by from time to time.
- Q. DIRECT REFERENCE SYSTEM (DRS) shall mean a static display contained in SABRE which Participating Carrier uses to communicate information to SABRE Subscribers.
- R. easySABRE shall mean a user-friendly version of the SABRE system primarily marketed to individual travelers through public data networks.
- S. EXTENDED PNR DATA shall mean an Optional Service that transmits certain additional passenger information to Participating Carrier regarding itineraries involving Participating Carrier.
- T. FALCON shall mean the name used by Gulf Air, a SABRE Licensee, to describe the version of SABRE distributed by Gulf Air in various areas of IATA Traffic Conference 2.
- U. FANTASIA shall mean the version of SABRE currently distributed by APD.
- V. GDS shall mean a global distribution system (commonly referred to as a computerized reservation system) to the extent that it is used by non-airline personnel. A GDS collects, stores, processes, displays and distributes information through computer terminals concerning air and ground transportation, lodging and other travel related products and services offered by travel suppliers and which enables subscribers to (i) reserve or otherwise confirm the use of, or make inquiries or obtain information in relation to, such products and services and/or (ii) issue tickets for the acquisition or use of such products and services.
- W. GDS RULES shall mean rules and regulations established by governmental entities for the operation of GDS' including those in effect in the United States, Canada and the European Community.

- X. OPTIONAL SERVICES shall mean any service offered by SABRE Group other than the specific services referred to in Article 3.1 and the Extra Services, as more fully described in Article V herein. SABRE Group may make available additional Optional Services at any time. Participating Carrier may elect to purchase an Optional Service by executing an addendum to this Agreement.
- Y. PNR shall mean a passenger name record created in SABRE.
- AA. PROFESSIONAL SABRE shall mean a version of the SABRE System primarily marketed to travel agencies.
- BB. SABRE shall mean SABRE Group's GDS which has electronic facilities able to provide, store, communicate, distribute, process and document such information as is from time to time stored in the data base created and maintained for the SABRE system.
- CC. SABRE ACCESS shall mean access to SABRE through Professional SABRE for the purpose of monitoring data pertaining to Participating Carrier's services.
- DD. SABRE LICENSEE shall mean a person or entity licensed to market SABRE in a designated area of the world.
- EE. SABRE SUBSCRIBER shall mean a person or entity, other than American or an airline using SABRE as its internal reservations system, which utilizes SABRE to make reservations. The term "SABRE Subscriber" shall include any person or entity making reservations through one of the versions of SABRE or through a SABRE Licensee, including, but not limited to, Professional SABRE, Fantasia, Falcon, easySABRE, Travelocity, Commercial SABRE, SITAR or SST or any other version of SABRE marketed by a SABRE Licensee.
- FF. SCHEDULE SUPPLIER shall mean the designated supplier of schedule information regarding Participating Carrier's flight services, including the ABC Guides/Reed Travel Group (ABC) or Asia Pacific Distribution (APD).
- GG. SIPP shall mean Standard Interline Passenger Procedures.
- HH. SITAR shall mean the version of SABRE currently distributed by SABRE Licensees, Air India and Indian Airlines.
- II. SPONSORED GDS shall mean a GDS sold or installed or owned in whole or in part by Participating Carrier or its affiliate during the term of the Agreement.
- JJ. SST shall mean SABRE Sociedad Tecnologica, a SABRE Licensee that distributes SABRE under the name SABRE de Mexico.
- KK. SYSTEM PROVIDER shall mean a GDS that has a capability to print a transportation document in a prescribed format and, where applicable, satisfies local technical requirements for doing so.
- LL. THIRD PARTY SYSTEM shall mean any GDS or distribution system other than SABRE or a Sponsored GDS or a GDS in which Participating Carrier is hosted.

- MM. TOTAL ACCESS shall mean a group of Optional Services providing premium connectivity between SABRE and Participating Carrier's system, including Direct Access, Multi Access and Direct Connect.
- NN. TRAVELOCITY shall mean a user-friendly version of the SABRE system primarily marketed to individual travelers through public data networks.

II. TERMS AND CONDITIONS

- A. Taxes - In addition to any other charges set forth in this Agreement, Participating Carrier shall pay to SABRE Group all license fees, sales, use, excise, personal property, or other taxes and any and all domestic and foreign duties, import and export fees and licenses, howsoever designated, now or hereafter imposed by any federal, state or local taxing authority or any foreign government or agency thereof, arising in connection with this Agreement, including, but not limited to, Participating Carrier's use of SABRE at its offices, except taxes payable or based on SABRE Group's net income.
- B. Indemnification - Participating Carrier shall defend, indemnify, and hold SABRE Group, its affiliates and their respective officers, directors, employees and agents, harmless from any and all liabilities, damages and claims (including litigation costs, expenses, and attorney's fees) which may be suffered by, accrued against, charged to, or recoverable from SABRE Group, its affiliates or their respective officers, directors, employees, or agents, by reason of or in connection with Participating Carrier's performance, non-performance, or improper performance of the provisions of this Agreement.
- C. Failure or Delay of Service - NEITHER SABRE GROUP NOR ANY OF ITS AFFILIATES SHALL BE LIABLE TO PARTICIPATING CARRIER, NOR DEEMED TO BE IN DEFAULT OF THIS AGREEMENT ON ACCOUNT OF ANY DELAYS, ERRORS, MALFUNCTIONS, OR BREAKDOWNS WITH RESPECT TO THE EQUIPMENT, DATA OR SERVICES PROVIDED HEREUNDER, REGARDLESS OF ITS NEGLIGENCE.
- D. Disclaimer of Warranties - SABRE GROUP AND ITS AFFILIATES DISCLAIM AND PARTICIPATING CARRIER HEREBY WAIVES ALL WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING BUT NOT LIMITED TO, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR INTENDED USE OF ANY EQUIPMENT, DATA OR SERVICES FURNISHED HEREUNDER, OR ANY LIABILITY IN NEGLIGENCE, TORT OR STRICT LIABILITY WITH RESPECT TO THE EQUIPMENT, DATA OR SERVICES FURNISHED HEREUNDER. PARTICIPATING CARRIER AGREES THAT NEITHER SABRE GROUP NOR ANY AFFILIATE OF SABRE GROUP SHALL BE LIABLE TO IT FOR CONSEQUENTIAL DAMAGES UNDER ANY CIRCUMSTANCES (INCLUDING LOSS OF AIR TRANSPORTATION REVENUES).
- E. Title - Title and full and complete ownership rights to all SABRE Group owned or developed software used in the performance of this Agreement ("System Software") shall remain with SABRE Group. Notwithstanding any other provision of this Agreement, SABRE Group shall retain ownership of the System Software and related confidential information. Participating Carrier understands and agrees that software owned or developed by SABRE Group or its affiliates is a trade secret and proprietary information, whether or not any portion thereof is or may be validly copyrighted or patented. Any data processing documentation supplied by either party to the other with respect to the operation of its reservation system, in any form and any and all copies thereof, are for the exclusive use of the receiving party, and shall not be disclosed or made available to any other person, firm, corporation, or governmental entity in any form or manner whatsoever; provided, however, that after first obtaining written permission and instructions from the disclosing party, the receiving party may voluntarily disclose and make available to consultants and other suppliers of data processing services the documentation or copies, parts or abstracts thereof, in

accordance with such permission and instruction; provided further that in the event information, materials, or documentation covered by this Agreement is subpoenaed or otherwise requested or demanded by any court or governmental authority, the subpoenaed party shall give the other party prompt notice thereof prior to complying with the same, and shall exercise its best efforts, in cooperating with the other party, to quash or limit such request, demand and/or subpoena.

- F. Assignment - Neither party shall assign, transfer, license, franchise nor otherwise convey this Agreement or any rights or services hereunder or delegate obligations hereunder to any third person without the prior written consent of the other party, which consent shall not be unreasonably conditioned, delayed or withheld, except that SABRE Group may, without the consent of Participating Carrier, from time to time assign this Agreement and/or delegate the performance of any of its responsibilities under this Agreement to (i) any Affiliate of SABRE Group, and/or (ii) to any third person with which SABRE Group is amalgamated, merged or consolidated, and/or (iii) to any third person that directly or indirectly acquires all or substantially all of the business or assets of SABRE Group to which this Agreement relates. Any such third person must have the financial and technical capacity to perform the obligations being assumed and the assigning party shall require such assignee or successor to assume in writing all terms and conditions of this Agreement.
- G. Non-Exclusivity - This is a non-exclusive Agreement and similar agreements may be entered into by SABRE Group or by Participating Carrier with any other party.
- H. Termination -
- (1) In the event Participating Carrier fails to make any payment required by this Agreement when due, this Agreement shall automatically be terminated, if such payment is not made within five (5) days of receipt of notice of breach from SABRE Group.
 - (2) In the event of any other breach of any of the other terms and conditions of this Agreement, by either party, this Agreement shall terminate automatically if the breaching party fails to correct such breach within fifteen (15) days of receipt of notice of breach from the non-breaching party.
 - (3) If either party is granted relief under the United States Bankruptcy Code, or the insolvency laws of any state, province or nation, and if this Agreement has not otherwise terminated, then the non-petitioning party may suspend all further performance of this Agreement until the petitioning party assumes or rejects this Agreement pursuant to Section 365 of the United States Bankruptcy Code or any similar or successor provision. Any such suspension of further performance by the non-petitioning party pending the petitioning party's assumption or rejection will not be a breach of this Agreement and will not affect the non-petitioning party's right to pursue or enforce any of its rights under this Agreement or otherwise.
- I. Independent Contractors - Nothing in this Agreement is intended or shall be construed to create or establish the relationship of principal/agent/partners or joint ventures between the parties hereto.
- J. Governing Law - This Agreement and any disputes arising hereunder shall be governed by the laws of the United States and the State of Texas without regard to its conflict of laws rules. Each party hereby consents to the non-exclusive jurisdiction of the courts of

the state of Texas in any dispute arising out of this Agreement and agrees that service of process shall be sufficient if made on the Secretary of State of the State of Texas with a copy sent registered mail to Participating Carrier at the address set forth above or such other address as Participating Carrier may later specify by written notice to SABRE Group.

- K. Force Majeure - Except for Participating Carrier's obligations to make payments hereunder, neither party will be deemed in default of the Agreement as a result of a failure to perform its obligations under this Agreement, if such failure is caused by acts of God or governmental authority, strikes or labor disputes, or fires, breach by suppliers of supply agreements, or any other cause beyond the reasonable control of that party.
- L. Waiver - No waiver of a breach of any provisions of this Agreement by either party shall constitute a waiver of any subsequent breach of the same or any other revisions hereof and no waiver shall be effective unless made in writing.
- M. Captions - The captions appearing in this Agreement have been inserted as a matter of convenience and in no way define, limit or enlarge the scope of this Agreement or any of the provisions.
- N. Invalidity - In the event that any material provision of this Agreement is determined to be invalid, unenforceable or illegal, SABRE Group shall have the right to terminate the Agreement upon sixty (60) days written notice to Participating Carrier.
- O. Limitation of Liability - NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, NO AFFILIATE OF SABRE GROUP SHALL HAVE ANY OBLIGATION OR LIABILITY HEREUNDER; PROVIDED, HOWEVER, THAT IF AND TO THE EXTENT SABRE GROUP ASSIGNS, DELEGATES, SUBCONTRACTS OR SUBLICENSES ANY OR ALL OF ITS OBLIGATIONS HEREUNDER TO AN AFFILIATE, AND AS A RESULT THEREOF SUCH AFFILIATE, BY OPERATION OF LAW, BECOMES LIABLE TO CUSTOMER, THEN ALL DISCLAIMERS, WAIVERS, LIMITATIONS OF LIABILITY AND RIGHTS TO INDEMNIFICATION SET FORTH IN THIS AGREEMENT SHALL INURE TO THE BENEFIT OF SUCH AFFILIATE.

**AMENDMENT NO. 1 TO SABRE PARTICIPATING CARRIER DISTRIBUTION AND
SERVICES AGREEMENT**

This Amendment No. 1 to that certain SABRE Participating Carrier Distribution and Services Agreement by and between The SABRE Group, Inc., ("SABRE Group") and Participating Carrier ("the Agreement") made and entered into as of the date set forth below.

RECITALS

WHEREAS, SABRE Group and Participating Carrier entered into that certain Agreement effective _____ 19____, and

WHEREAS, the parties have agreed to modify the Agreement to allow the Participating Carrier to make payments directly to SABRE Group:

NOW, THEREFORE, in consideration of the mutual covenants contained herein, SABRE Group and Participating Carrier hereby agree as follows:

1. **Payment.** Article 7.1 of the Agreement shall be deleted in its entirety and replaced with the following language:
 - (a) SABRE Group shall submit an invoice to Participating Carrier by the fifteenth day of the following month, covering all charges incurred during the previous month, which invoice shall be paid directly to SABRE Group within thirty (30) days after receipt.
 - (b) Any payment not received by SABRE Group when due, shall accrue interest at the rate of twelve percent (12%) per annum or the highest amount permitted by law, whichever is less.
2. **Full Force and Effect.** Except as otherwise provided herein, all other terms of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year written below.

CARRIER: _____

THE SABRE GROUP, INC.

By: _____

By: _____

Name: _____

Name: Alicia L. Gardner

Title: _____

Title: Manager, Airline Industry Distribution

Date: _____

ATTACHMENT 1
MEMORANDUM OF AGREEMENT RELATIVE TO
THE SETTLEMENT THROUGH AIRLINES CLEARING HOUSE, INC.
OF NON-TRANSPORTATION TRANSACTIONS

WHEREAS, Section 1(b) of the Agreement Relating to the Settlement of Interline Accounts Through Airlines Clearing House, Inc., (the "Settlement Agreement") as amended, provides for the settlement, through the Airlines Clearing House, Inc. ("ACH"), of accounts payable by one member or participant in ACH to another, arising out of transactions other than sales of transportation, in every case where both the debtor and creditor have agreed in writing to settle that type of account through the ACH and the date on which such settlement shall begin, and have filed a copy of said Agreement with the ACH; and

WHEREAS, The SABRE Group, Inc. ("SABRE Group") and Participating Carrier, the parties hereto, are both members or participants in the ACH and both desire to settle through the ACH certain accounts arising out of transactions other than sales of transportation, and to make it convenient to add additional transactions of a non-transportation nature to the list of those which they presently desire to settle through the ACH.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, SABRE Group and Participating Carrier agree as follows:

1. With respect to transactions arising on and after _____ 19_____, they will settle through the ACH accounts arising out of the following types of transactions: reservations, ticketing and communications services.
2. The settlement of accounts arising from the transactions specified in Section 1 hereof, or from such other transactions as the parties hereto may subsequently agree to settle through the ACH, shall be in accordance with the provisions of Section H of the Manual of Procedure.
3. The parties hereto may, by an exchange of correspondence, a copy of which shall be furnished to the ACH, agree to settle through the ACH accounts arising out of non-transportation transactions other than those specified in Section 1 hereof. Such correspondence shall also indicate the date on which such settlement shall begin.
4. Either party to this Agreement shall have the right, upon giving sixty (60) days advance notice in writing to the other party and to the ACH, of terminating this Agreement and thereby discontinuing settlement through the ACH with respect to the type or types of accounts specified herein or agreed upon under Section 3 above.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date specified below.

CARRIER: _____

THE SABRE GROUP, INC.

By: _____

By: _____

Name: _____

Name: Alicia L. Gardner

Title: _____

Title: Manager, Airline Industry Distribution

Date: _____

**ATTACHMENT 2
MEMORANDUM OF AGREEMENT
RELATIVE TO THE SETTLEMENT THROUGH
IATA CLEARING HOUSE
OF NON-TRANSPORTATION TRANSACTIONS**

WHEREAS, The SABRE Group, Inc. ("SABRE Group") and Participating Carrier have agreed that all charges and amounts due from Participating Carrier under that certain SABRE Participating Carrier Distribution and Services Agreement between SABRE Group and Participating Carrier effective _____, 19__ (the "Agreement") may be collected through the IATA Clearing House; and

WHEREAS, SABRE Group and Participating Carrier are either members of IATA or participants in the IATA Clearing House and both desire to settle through the IATA Clearing House certain accounts arising out of the Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained SABRE Group and Participating Carrier agree as follows:

1. With respect to transactions arising on or after February 1997 they will settle through the IATA Clearing House, accounts arising out of the following types of transactions: reservations, ticketing and communications services under the Agreement.

2. The settlement of accounts arising from the transactions specified in Section 1 hereof, shall be in accordance with the applicable rules and regulations of the IATA Clearing House.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date specified below.

CARRIER: _____

THE SABRE GROUP, INC.

By: _____

By: _____

Name: _____

Name: Alicia L. Gardner

Title: _____

Title: Manager, Airline Industry

Date: _____

ATTACHMENT 3

For pricing purposes, North America shall include the United States, Canada, Mexico, Puerto Rico and the U.S. Virgin Islands. Rest of World includes all other countries not listed in Europe, North America or South Pacific.

The following countries are included under the pricing for Europe and South Pacific as discussed in Article 3.1 of the SABRE Participating Carrier Distribution and Services Agreement.

Europe

Albania
Algeria
Andorra
Armenia
Austria
Azerbaijan
Belarus
Belgium
Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Denmark
Estonia
Finland
France
Georgia
Germany
Gibraltar
Greece
Hungary
Iceland
Ireland
Italy
Latvia
Lichtenstein
Lithuania
Luxembourg
Macedonia
Malta
Moldova
Monaco
Montenegro
Morocco
Netherlands
Norway
Poland
Portugal (including Azores and Madeira)
Romania
Russian Federation (West of The Urals)
San Marino

Europe continued

Slovakia
Slovenia
Spain (including Canary Islands)
Sweden
Switzerland
Tunisia
Turkey
Ukraine
United Kingdom
Yugoslavia

South Pacific

American Samoa
Australia
Cook Islands
Fiji Islands
French Polynesia
Kiribati
Nauru
New Caledonia
New Zealand
Niue
Papua New Guinea
Solomon Islands
Tonga
Tuvalu
Vanuatu
Wallis/Funtuna Islands
Western Samoa

**TOTAL ACCESS
OPTIONAL SERVICES ADDENDUM**

This Addendum, by and between The SABRE Group, Inc. ("SABRE Group") and the Participating Carrier identified below, ("Participating Carrier") amends that certain SABRE Participating Carrier Distribution and Services Agreement between SABRE Group and Participating Carrier ("Agreement") and supersedes all previous Total Access Optional Services Addenda to the Agreement.

1. Product Description The SABRE Total Access system is comprised of several levels of participation (ANSWERBACK, Numeric Availability, Multi Access, and Direct Access) and offers SABRE Subscribers functions under which Bookings on Participating Carrier may be made as outlined in the following paragraphs below.
2. Options Available There are four participation options in Total Access: ANSWERBACK, Numeric Availability ("NAV"), Multi Access, and Direct Access. A Participating Carrier may select any of the four (4) levels of participation, provided however, that NAV can only be chosen if the Participating Carrier is also a participant in one or more levels of Total Access. Some of the functions presently available within each level of Total Access are generally described in Schedule A to this Addendum. Further references to Total Access in this Addendum mean only those levels of access chosen by Participating Carrier in paragraph 3.
3. Please check below the desired level(s) of Total Access Participation:
 - ☐ A. ANSWERBACK is a Participating Carrier's teletype booking product which requests Participating Carrier's record locator after end transaction. Upon receipt of Participating Carrier's record locator, SABRE appends the record locator to the appropriate segment line in the SABRE PNR itinerary field.
 - ☐ B. Numeric Availability ("NAV") provides seat availability status and allows Participating Carrier to display a numeric value of 0 to 9 seats of inventory for a specific flight in the standard SABRE city-pair availability display.
 - ☐ C. Multi Access allows a SABRE Subscriber the option to access and work directly in Participating Carrier's internal reservation system on a real-time basis using common language entries. While functioning in Multi Access, the SABRE Subscriber can book space and create a PNR in Participating Carrier's internal reservation system.
 - ☐ D. Direct Access allows a SABRE Subscriber to access certain information within Participating Carrier's internal reservation system on a message transmittal basis, for the purpose of verifying last seat availability, accessing fare information and other data. Bookings are made within SABRE, based on information obtained from Participating Carrier's internal reservation system.
 - ☐ D1. Claim It allows a SABRE Subscriber to display and claim Passenger Name Records from a Participating Carrier's internal reservation system and to secure them to their agency. Bookings claimed by a SABRE Subscriber will be appended with the Direct Access tag, and the Participating Carrier will be charged the additional premium connectivity booking fee. Participating Carrier must be a Direct Access participant to implement Claim It.

4. Responsibilities of SABRE Group.

- a. SABRE Group shall provide Participating Carrier with appropriate technical/functional documentation for Total Access.
- b. SABRE Group shall maintain and operate Total Access, and shall cooperate with Participating Carrier in resolving any problems encountered in the maintenance of the telecommunications lines between TAS and Participating Carrier's computerized reservation system.
- c. SABRE Group shall provide SABRE Subscribers with Common Language training on Total Access via SABRE Assisted Instructions (S.A.I. Lessons). SABRE will provide on-line reference material to instruct SABRE Subscribers in the use of Total Access.
- d. SABRE Group will review requests for additions to the Common Language, but implementation of such requests will be at SABRE Group's sole discretion. If SABRE Group implements any changes to the Common Language requested by other carriers, the cost of implementation shall be borne equally by all carriers desiring to use such Common Language commands.
- e. SABRE Group agrees to devote resources sufficient to complete the programming necessary to implement Total Access. SABRE Group shall be responsible for the costs it incurs as a result of this Addendum.
- f. SABRE Group shall have the right to terminate this Addendum, without liability, upon thirty (30) days written notice, should Participating Carrier fail to maintain reliability standard of 95% specified in Paragraph 5(c) of "Responsibilities of Participating Carrier" of this Addendum.

5. Responsibilities of Participating Carrier.

- a. Participating Carrier shall provide resources to support SABRE Group's then current communications protocol.
- b. Participating Carrier shall establish and operate its connection to Total Access as defined in the appropriate technical/functional documentation.
- c. Participating Carrier will provide, at its sole cost and expense, (i) required telecommunications link(s) (the "Lines") and multi-channel modems between its computerized reservation system and the hardware composing the TAS, or (ii) comparable link via SITA. Participating Carrier will insure that its system, and the Lines linking it to the Switch are operable at least 95% of the time Total Access is operating each month.
- d. Participating Carrier shall cooperate with SABRE Group to implement changes and additions or deletions to the Common Language.
- e. If Participating Carrier elects to participate in Direct Access or Multi Access, Participating Carrier shall make available through Multi Access and/or Direct Access the schedule and availability display used by Participating Carrier's reservations personnel.
- f. If any future changes in Participating Carrier's internal reservation system require any change in the Common Language, or in any other aspect of Total Access, Participating Carrier will advise SABRE Group at least sixty (60) days in advance of such change and cooperate with SABRE Group in developing any changes necessary for Participating Carrier's continued participation. All expenses incurred by SABRE Group with respect to such changes shall be charged to Participating Carrier at SABRE Group's vendor and/or internally charged rates.

- g. For each level of participation selected, the functions of Participating Carrier's internal reservations system that shall be made available through Multi Access and/or Direct Access to SABRE Subscribers shall be those listed in Schedule A of this Addendum.
- h. Participating Carrier shall provide reasonable help desk and other such technical support as SABRE Group may require to serve SABRE Subscribers using the Total Access function.
- i. All Direct Access booked segments received by Participating Carrier's reservations system from SABRE (including those appended with the unique action code "LK") will be automatically accepted and confirmed and no US/UC message will be generated.
- j. All ANSWERBACK booked segments which include the record locator received directly from the Participating Carrier will be considered guaranteed Bookings, excepting segments containing a waitlist segment status code.
- k. Participating Carrier shall complete the technical/functional documentation appropriate to the level of Total Access participation selected and return it to SABRE Group within thirty (30) days of the date of this Addendum.
- l. Participating Carrier agrees to devote resources sufficient to complete the programming necessary to implement Total Access. Participating Carrier shall be responsible for the costs it incurs as a result of this Addendum.
- m. Participating Carrier agrees that each availability status message sent to SABRE by Participating Carrier shall be sent in accordance with and conform to all SIPP and AIRIMP standards and criteria.
- n. If Participating Carrier elects to participate in Total Access, SABRE Group shall provide Carrier Specific Display (CSD). CSD shall be made available at no charge to Participating Carrier provided, however, that in the event this Addendum terminates because Participating Carrier fails to implement ANSWERBACK, Direct Access, or Multi Access, Participating Carrier shall be obligated to pay, in addition to the Booking fee paid by Participating Carrier under Article 3.1 of the Agreement, and in addition to all other damages sustained by SABRE Group as a result of Participating Carrier's breach, the sum of USD 0.10 in North America, South Pacific and Rest of the World and ECU .08 in Europe for each Booking made after the execution date of this Addendum.

6. Joint Terms and Conditions

- a. In the event that either Participating Carrier or SABRE Group experiences a system problem, then either party shall have the right to inhibit Total Access during the period of time that such system problem exists. If such a problem is a scheduled system outage, each party shall be responsible for notifying the other as soon as possible and each party shall use best efforts to reinstate Total Access capabilities via the procedures agreed upon by both parties in advance of the scheduled system outage. In the event of an emergency situation, each party shall notify the other as soon as possible and use best efforts to reinstate Total Access capabilities as soon as possible.
- b. In the event that either Participating Carrier's or SABRE Group's system reaches capacity limits, Participating Carrier and SABRE Group will implement the appropriate throttling mechanisms and/or fallback procedures necessary to stabilize the system.

7. Fees.

a. In addition to the charges, if any, referred to under "Responsibilities of Participating Carrier" above, Participating Carrier shall pay SABRE Group a one time implementation fee for Multi Access or Direct Access of:

- (i) \$10,000 if Participating Carrier uses SABRE as its internal computer reservation system;
- (ii) \$17,000 if Participating Carrier uses as its internal computer reservation system a system of an airline which is already in Total Access; or
- (iii) \$20,000 if Participating Carrier does not fall within (i) or (ii) above. There will be no implementation fee for the ANSWERBACK and NAV products.

b. For segments booked using the ANSWERBACK, Multi Access, or Direct Access capability (SABRE will append each with an "AB", "MG", or "TA", as applicable), Participating Carrier shall pay to SABRE Group a fee per Booking as set forth in Schedule B, which is attached and incorporated in this Addendum, which shall be in addition to fees due under Article III of the SABRE Participating Carrier Distribution and Services Agreement.

8. Term. This Addendum shall commence on the date signed by a duly authorized agent of SABRE Associates and shall continue in effect for one (1) year. Thereafter, it may be canceled on 30 days written notice and it shall in any event terminate upon termination of the Agreement.

9. Full Force and Effect Except as otherwise provided herein, all terms and conditions of the Agreement shall remain in full force and effect, and all capitalized terms shall have the same meaning as assigned to such terms in the Agreement.

SABRE Group and Participating Carrier have executed this Addendum as of this _____ day of _____, 19____.

By: _____

Name: _____

Title: _____

THE SABRE GROUP, INC.

By: _____

Alicia L. Gardner

Manager, Airline Industry Distribution

SCHEDULE A

FUNCTIONS AVAILABLE IN TOTAL ACCESS

DIRECT ACCESS

1. Schedule Displays
2. Availability Displays
3. Scrolling
4. Display of Flight Information (FLIFO)
5. Fare Quote
6. VTT (Specific Flight Schedule)
7. DRS Retrieval
8. Fare Rules
9. Display of Seat Maps
10. Last Seat Availability

MULTI-ACCESS

All of the above plus:

1. PNR Retrieval
2. Display of all Portions of a PNR
3. Segment Sell
4. Creation of or Modification of a PNR
5. PNR Pricing
6. Queues/Queue Processing

SCHEDULE A
FUNCTIONS AVAILABLE IN TOTAL ACCESS
(CONTINUED)

7. Pre-Reserved Seats
8. Availability Displays
9. Record Locator Returned to Segment

ANSWERBACK

1. Record Locator Returned to Segment
2. Record Locator Transmitted for all Subsequent PNR Modifications
3. Schedule Displays
4. Availability Displays

NUMERIC AVAILABILITY

1. Return numeric seat value between 0 and 9 via standard AVS messaging
2. Numeric seat value in SABRE primary availability display

**SCHEDULE B
TOTAL ACCESS FEES**

The following is a schedule of SABRE fees per segment booked using the following Total Access levels:

	North America, South Pacific and <u>Rest of the World</u>	<u>Europe</u>
ANSWERBACK	USD .14	ECU .11
Direct Access	USD .40	ECU .30
Multi Access	USD .40	ECU .30
ANSWERBACK combined with Direct Access or Multi Access booked segments	USD .40	ECU .30
Claim It	USD .40	ECU .30

The fee for Numeric Availability is USD .17 in North America, South Pacific and Rest of the World and ECU .13 in Europe per segment. If chosen, Numeric Availability must be combined with one or more of the other Total Access levels, and the segment fees for each of the Total Access products will be as follows:

	North America, South Pacific, and <u>Rest of the World</u>	<u>Europe</u>
ANSWERBACK	USD .31 (combined fee)	ECU .24 (combined fee)
Direct Access	USD .17 segment for all NAV segments not booked through Direct Access, or USD .40 per segment for all segments booked through Direct Access	ECU .13 segment for all NAV segments not booked through Direct Access, or ECU .30 per segment for all segments booked through Direct Access
Multi Access	USD .17 per segment for all NAV segments, not booked through Multi Access, or USD .40 per segment for all segments booked through Multi Access	ECU .13 per segment for all NAV segments, not booked through Multi Access, or ECU .30 per segment for all segments booked through Multi Access

**AMENDMENT TO TOTAL ACCESS OPTIONAL
SERVICES ADDENDUM**

This Amendment, between The SABRE Group, Inc. ("SABRE Group ") and the Participating Carrier identified below amends that certain Total Access Optional Services Addendum (the "Addendum") to that certain Participating Carrier Distribution and Services Agreement and Participating Carrier (the "Agreement") as follows:

1. Article 2 of the Addendum is amended to include a fifth option in Total Access as follows:

Carrier Specific Direct Access. Carrier Specific Direct Access can only be chosen if Participating Carrier is a participant in Direct Access.
2. Article 3 of the Addendum is amended to include the following:

E. Carrier Specific Direct Access ("CSDA") allows a Participating Carrier, who participates in Direct Access, the option of having its Carrier Specific Display ("CSD") default to a Direct Access Display. If CSDA is chosen, a SABRE Subscriber's CSD entries will automatically default to a Direct Access Display. Each booking using CSDA will be assessed the Direct Access booking fee as set forth in Article 7 and Schedule B of the Addendum.
3. Article 5, subparagraphs e, g and i are amended to include CSDA in all references to Direct Access.
4. Article 7, subparagraphs a and b are amended to include CSDA in all references to Direct Access.
5. Term. This Amendment shall commence on _____, 199____, and shall have the term, and be terminable according to, Article 8 of the Addendum.
6. Effect and Terms. Except as otherwise provided herein, all terms and conditions of the Agreement and the Addendum remain in full force and effect, and all capitalized terms have the same meaning as defined or given to them in the Agreement or the Addendum.

SABRE Group and Participating Carrier have executed this Amendment as of this _____ day of _____ 19____.

By: _____
Name: _____
Title: _____

THE SABRE GROUP, INC.
By: _____
Alicia L. Gardner
Manager, Airline Industry Distribution

**TOTAL ACCESS
DIRECT CONNECT AIR
OPTIONAL SERVICES ADDENDUM**

This Addendum, by and between The SABRE Group, Inc. ("SABRE Group") and the Participating Carrier identified below, modifies that certain SABRE Participating Carrier Distribution and Services Agreement.

1. **PRODUCT DESCRIPTION** SABRE Direct Connect Air is the premium level of connectivity in the Total Access product line. Direct Connect Air, based on IATA/PADIS-approved EDIFACT standards, provides for the instantaneous, transparent retrieval of information from the Participating Carrier's internal reservation system. Direct Connect Air is comprised of Direct Connect Sell and Direct Connect Availability.
2. **CONDITIONS PRECEDENT** Participating Carrier must have executed a Total Access Optional Services Addendum and participate in Direct Access before it may participate in either level of Direct Connect Air and execute this Addendum. Participating Carrier may participate in Direct Connect Availability only if it is also a participant in Direct Connect Sell.
3. **OPTIONS AVAILABLE** Please check below the desired participation of Direct Connect Air product(s):

- ___ A. **DIRECT CONNECT SELL** allows SABRE, using the IATA/PADIS-approved EDIFACT based standards, to automatically generate a Booking request and provide data required to complete a PNR within the Participating Carrier's internal reservation system. Direct Connect Sell allows for the automatic insertion of Participating Carrier's PNR record locator within the associated PNR created in SABRE, once the Booking has been confirmed by the Participating Carrier. If the inventory requested is available, the Participating Carrier's inventory is automatically decremented from its reservation system. If the inventory is unavailable, the Participating Carrier will immediately generate an unable to sell message. If Participating Carrier elects to participate at the Direct Connect Sell level, upon implementation of Direct Connect Sell, ANSWERBACK shall be provided to Participating Carrier at no further charge.

If Participating Carrier elects to participate at the Direct Connect Sell level, Participating Carrier may also select the Numeric Availability ("NAV") option for an additional USD 0.17 per Booking in North America, South Pacific and Rest of the World and an additional ECU 0.13 per Booking in Europe. Please place a check mark next to the NAV option if desired.

- _____ NAV provides seat availability status and allows Participating Carrier to display a numeric value of 0 to 9 seats of inventory for a specific flight in the standard SABRE city-pair availability display.

- ___ B. **DIRECT CONNECT AVAILABILITY** allows SABRE, using the IATA/PADIS-approved EDIFACT based standards to provide the instantaneous, transparent retrieval of last-seat, flight specific availability from a Participating Carrier's internal reservation system, resulting from a SABRE Subscriber/system request for flight availability information. Once SABRE receives a Participating Carrier's availability, SABRE integrates the Carrier's availability into the standard SABRE availability display. Participating Carrier may only elect to participate in Direct Connect Availability if the carrier is also a Direct Connect Sell participant. Further references in this Addendum to Direct Connect Air mean the level(s) of participation chosen by Participating Carrier. If Participating Carrier elects to participate at the Direct Connect Availability level, upon implementation of Direct Connect Availability, the NAV option shall be provided to Participating Carrier at no further charge.

4. **Responsibilities of SABRE Group.**

- a. SABRE Group shall provide Participating Carrier with appropriate technical/functional documentation for the selected participation of Direct Connect Air product(s).
- b. SABRE Group shall maintain and operate Direct Connect Air and shall cooperate with Participating Carrier in resolving any problems encountered in the maintenance of the telecommunications lines between Direct Connect Air and Participating Carrier's computerized reservation system.
- c. SABRE Group shall provide SABRE Subscribers with training on Direct Connect Sell via SABRE Assisted Instructions (S.A.I. Lessons). SABRE will provide on-line Direct Connect Air reference material to instruct SABRE Subscribers in the use of Direct Connect Air.
- d. SABRE Group agrees to devote resources sufficient to complete the programming necessary to implement Direct Connect Air. SABRE Group shall be responsible for the costs it incurs as a result of this Addendum.
- e. All SABRE Direct Connect Availability requests will conform to the then current IATA/PADIS-approved EDIFACT standards.
- f. SABRE Group will insure that the Lines linking Participating Carrier's system to SABRE are operable at least 95% of the time Direct Connect Air is operating each month.
- g. If Participating Carrier elects to participate at the Direct Connect Sell level, SABRE Group shall provide ANSWERBACK to Participating Carrier at no further charge provided however, that in the event this Addendum terminates because Participating Carrier fails to implement Direct Connect Sell, Participating Carrier shall be obligated to pay, in addition to the booking fee paid by Participating Carrier under Article 3.1 of the Agreement, and in addition to all other damages sustained by SABRE Group as a result of Participating Carrier's breach, the sum of USD 0.14 in North America, South Pacific and Rest of the World and ECU .011 in Europe for each ANSWERBACK Booking made after the execution date of this Addendum.

- h. If Participating Carrier elects to participate at the Direct Connect Availability level, the NAV option, if selected by Participating Carrier, will be made available by SABRE Group at no further charge provided however, that in the event this Addendum terminates because Participating Carrier fails to implement Direct Connect Availability, Participating Carrier shall be obligated to pay, in addition to the booking fee paid by Participating Carrier under Article 3.1 of the Agreement, and in addition to all other damages sustained by SABRE Group as a result of Participating Carrier's breach, the sum of USD 0.17 in North America, South Pacific and Rest of the World and ECU 0.13 in Europe for each non Multi-Access or Direct Access Booking made after the execution date of this Addendum.

5. Responsibilities of Participating Carrier

- a. Participating Carrier shall provide resources to support SABRE Group's then current communications protocol.
- b. Participating Carrier shall establish and operate its connection to Direct Connect Air as defined in the appropriate technical/functional documentation.
- c. The cost of all telecommunications links and multi-channel modems (the "Lines") between Participating Carrier's internal reservation system and the Direct Connect Air complex will be borne by Participating Carrier. If SABRE Group orders and pays for such Lines, Participating Carrier will reimburse SABRE Group for any such expense. Participating Carrier will insure that its system, and the Lines linking it to SABRE are operable at least 95% of the time Direct Connect Air is operating each month.
- d. The functions of Participating Carrier's internal reservation system that shall be made available through Direct Connect Air to Subscribers shall be those listed in Schedule A of this Addendum.
- e. Participating Carrier shall make available through Direct Connect Air the schedule and availability display used by Participating Carrier's reservations personnel.
- f. If any future changes in Participating Carrier's internal reservation system require any change to Direct Connect Air, or in any other aspect of Direct Connect Air, Participating Carrier will advise SABRE Group at least (60) days in advance of such change and cooperate with SABRE Group in developing any changes necessary for Participating Carrier's continued participation. All expenses incurred by SABRE Group with respect to such changes shall be charged to Participating Carrier at SABRE Group's vendor and/or internally charged rates.
- g. Participating Carrier shall provide reasonable customer service assistance and other such technical support as SABRE Group may require to serve SABRE Subscribers regarding Direct Connect Air.
- h. All Direct Connect Air booked segments received by Participating Carrier's reservations system from SABRE, (including those appended with the unique action code "DK" or "LK") will be automatically accepted and confirmed and no US/UC message will be generated.

- i. Participating Carrier shall complete the technical/functional documentation appropriate to the selected participation of Direct Connect Air product(s) and return it to SABRE Group within thirty (30) days of the date of this Agreement.
- j. Participating Carrier agrees to devote resources sufficient to complete the programming necessary to implement Direct Connect Air. Participating Carrier shall be responsible for the costs it incurs as a result of this Addendum.
- k. All Participating Carrier's Direct Connect Availability responses will conform to the current IATA/PADIS-approved EDIFACT standards.
- l. Participating Carrier will return only numeric availability to a SABRE Direct Connect Availability request.

6. **Failure Of Either Party to Perform**

Each party shall have the right to terminate this Addendum, without liability, upon thirty (30) days written notice, should either party fail to maintain reliability standard of 95% specified in Paragraphs 5 (c) of "Responsibilities of Participating Carrier" and 4 (f) of "Responsibilities of SABRE Group", of this Addendum.

7. **Joint Terms and Conditions**

- a. In the event that either Participating Carrier or SABRE Group experiences a system problem, then either party shall have the right to inhibit Direct Connect Air during the period of time that such system problem exists. If such a problem is a scheduled system outage, each party shall be responsible for notifying the other as soon as possible and each party shall use best efforts to reinstate Direct Connect Air capabilities via the procedures agreed upon by both parties in advance of the scheduled system outage. In the event of an emergency situation, each party shall notify the other as soon as possible and use best efforts to reinstate Direct Connect Air capabilities as soon as possible.
- b. In the event that either Participating Carrier's or SABRE Group's system reaches capacity limits, Participating Carrier and SABRE Group will implement the appropriate throttling mechanisms and/or fallback procedures necessary to stabilize the system.
- c. In the event Participating Carrier is not able to return its availability within two (2) seconds after request, SABRE will default to its internally stored availability database. Any Participating Carrier response to a Direct Connect Availability request, which SABRE Group receives before the maximum time-limit is reached, will be integrated into the standard SABRE availability display.

8. **Fees**

- a. For segments booked using the Direct Connect Air capability, (SABRE will append each with an "DC" indicator) Participating Carrier shall pay to SABRE Group, on a monthly basis, the following fees per Booking (which shall be in addition to the fees due under Article III of the SABRE Participating Carrier Distribution and Services Agreement):
 - (i) If Participating Carrier participates only in Direct Connect Sell, it shall pay USD 0.40 in North America, South Pacific and the Rest of the World and ECU 0.30 in Europe per Booking for each Booking to which a "DC" indicator is appended.

- (ii) If Participating Carrier participates only in Direct Connect Sell and NAV, it shall pay USD 0.17 in North America, South Pacific and Rest of the World and ECU 0.13 in Europe per Booking in addition to the amount specified in subparagraph (i), for each Booking to which a "DC" indicator is appended and it shall pay USD 0.17 in North America, South Pacific and Rest of the World and ECU 0.13 in Europe per Booking for each non Multi-Access or Direct Access Booking.
- (iii) If Participating Carrier participates in both Direct Connect Sell and Direct Connect Availability, it shall pay USD 0.21 in North America, South Pacific and Rest of the World and ECU 0.16 in Europe per Booking in addition to the amount specified in subparagraph (i), for each Booking to which a "DC" indicator is appended.
- b. At any time after the effective date hereof, SABRE Group may modify the amount payable under subparagraphs a (i), (ii) or (iii) above, upon thirty (30) days written notice, by a percentage not to exceed fifteen percent (15%) in any consecutive twelve (12) month period. If Participating Carrier does not desire to pay such revised fee, it may withdraw from this Addendum upon written notice to SABRE Group within thirty (30) days prior to the effective date of the price change.
9. Term The Addendum shall commence on the date signed by a duly authorized agent of SABRE Group and shall continue in effect for one (1) year. Thereafter, it shall continue until termination of the Agreement, or termination of the Addendum by either party upon thirty (30) days prior written notice. In no event shall this Addendum remain in effect beyond the termination date of the Agreement.
10. Full Force and Effect Except as otherwise provided herein, all terms and conditions of the Agreement shall remain in full force and effect, and all capitalized terms shall have the same meaning as assigned to such terms in the Agreement.

SABRE Group and Participating Carrier have executed this Addendum as of this _____ day of _____, 19_____.

CARRIER: _____

THE SABRE GROUP, INC.

By: _____

By: _____

Name: _____

Alicia I. Gardner
Manager, Airline Industry Distribution

Title: _____

SCHEDULE A
FUNCTIONS AVAILABLE IN DIRECT CONNECT AIR

DIRECT CONNECT AIR

1. Instant Decrement of Inventory
2. Last Seat Availability
3. Segment Sell
4. Record Locator Returned to Segment
5. Sell from Zero
6. Flight Facts
7. Point Of Sale (POS)
8. Numeric Availability (NAV)

ASSOCIATE BILLING SERVICE HANDBOOK



SABRE
TRAVEL INFORMATION NETWORK™

WE PLEDGE

- ▼ To provide the highest standards of quality and integrity in our billing system and our billing methodology.
- ▼ To employ a responsible, courteous and professional team to answer your questions.
- ▼ To continue to develop useful and innovative tools for monitoring and managing the distribution of your product.
- ▼ To strive to process your credit request within 30 days if it is sent via an automated layout and no more than 90 days for requests that are not automated.
- ▼ To acknowledge receipt of your credit request within 48 hours of receipt.

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COST MANAGEMENT PROGRAM

COST MANAGEMENT PROGRAM

SABRE® is committed to delivering products and services that provide the industry's most extensive selection of inventory management and point-of-sale tools. This section highlights products that were developed to assist Associates with better management of booking activity.

SABRE has developed a comprehensive training and communication program to reduce the need for Travel Service Segment (TSS) bookings. The program is designed to help the Associate and the Subscriber by:

- ▼ Providing education on the use of TSS and the economic impact they have on Associate distribution costs.
- ▼ Providing system functionality to reduce the need for TSS activity.

COST MANAGEMENT TOOLS

Travel Service Segment Validation (TSSV) is a powerful auditing tool designed to match manual SABRE bookings (BK, BL, GK, GL, DS, HK* and HL*) with the Associate's published city pairs, frequency and flight numbers. If the segment entered does not reconcile, SABRE will deny the input and the Associate will not be billed for that segment.

Fee: No charge for the product.

Ticket Number Notification advises an airline whenever a ticket is issued and the airline participates in the ticketed itinerary. This enables the airline to monitor inventory based on ticketed passengers and to identify potential no-show segments. The message can be transmitted using an SSR or an OSI code. Ticket numbers can be sent on individual PNRs, group PNRs or both.

Fee: No charge for the product.

"HX" Processing allows the airline to send an HX message to the SABRE PNR when the segment is canceled directly with the airline. SABRE then places the PNR on a special queue for the SABRE Subscriber to take appropriate action. An HX status code restricts the Subscriber PNR, disallowing pricing, invoicing and ticketing until the segment is canceled.

Fee: No charge for the product.

COST MANAGEMENT PROGRAM

Passenger Notification Messaging (PNM) / NO Processing is an inventory management tool that enables airlines to identify a TSS at the time of sale in order to reconcile the booking within its system to the SABRE PNR. Airlines will be notified via Teletype message when a TSS has been entered or canceled. If an equivalent segment is not found, the airline may elect to return a NO status code to the SABRE PNR. A NO should not be sent when an equivalent is found in the airline system. The PNR will then be queued to the SABRE Subscriber for appropriate action. The NO status code restricts the SABRE Subscriber PNR disallowing boarding pass and ticket issuance until the segment is canceled.

Fee: No charge for the product and 100% credit will be returned to the Associate when the Subscriber cancels the segment.

Claim ItSM and Claim It Assist enable Subscribers to view and transfer ownership of a PNR booked directly with an airline. If a TSS is entered on an Associate utilizing these products, SABRE Subscribers are instructed to ignore the TSS and claim the segment directly with the airline. This, in turn, can lower the Associate's cost by allowing reservation staff to focus on new sales rather than servicing previously booked space.

Fee: Same as Direct AccessSM rate.

Name Change Restriction allows an airline to inhibit name changes once the PNR is ended. The restriction can be applied to all classes of service or specific classes only, and to group or non-group PNRs. The SABRE Subscriber receives a warning when inventory is sold that is restricted to name changes. An error message is issued when the first attempt is made to change a name field after the PNR has been ended. If a second attempt is made, the space is automatically canceled and the cancellation message is sent to the airline.

Fee: No charge for the product.

HANDY REFERENCE PAGES IN SABRE

PRODUCT NAME

REFERENCE

To view information on these products as published to the Subscriber, please see the following:

Travel Service Segment Validation	F*FOX/TSSV
Ticket Number Notification	F*FOX/TICKET/NOTIFICATION
Name Change Restriction	N*/NAME CHANGE RESTRICTION
HX Processing	F*FOX/HX
Passenger Notification Messaging	F*FOX/AIRLINE/SEGMENT/BK F*FOX/AIRLINE/SEGMENT/GK
Claim It	F*TTL/CLAIM IT

5-17-11

COST MANAGEMENT PROGRAM

FREQUENTLY ASKED QUESTIONS

How can we prevent TSS from being entered and billed when we do not service the market?

TSSV (Travel Service Segment Validation) prevents the manual input of segments that do not match the current schedule data. TSSV checks for city pair, flight number and day of operation.
Fee: No charge for the product.

TSSV won't work for my airline. We operate unscheduled charters that are not published. We want the agencies to service these passengers, but want to know what segments are out there before we get the invoice.

For those airlines that do not wish to load unscheduled charters in SABRE, Passenger Notification Messaging (PNM) provides an alternative solution. PNM sends the TSS at End Transaction. This gives you the opportunity to reconcile the segment in your system. If you are not holding the segment, you may notify the agency through an AIRIMP message which places the PNR on the agency's queue.
Fee: No charge for the product and 100% credit is returned to the airline when the Subscriber cancels the segment.

When evaluating flight loads, I need to know which passengers are ticketed to more accurately predict load factors and prevent no-shows.

Ticket Number Notification will send the ticket number to your PNR when the ticket is issued for the passenger.
Fee: No charge for the product.

Passengers frequently call into my reservations offices after hours to cancel or change their travel plans. How can we notify the booking agent so they can cancel or change their PNR?

HX processing will automatically place the SABRE PNR on the Subscriber queue 7. SSRs with text messages and newly booked segments can be included at the same time so the Subscriber knows what has occurred and can take action without calling your reservations staff.
Fee: No charge for the product.

My reservations staff is spending too much time recapping itineraries booked by the passenger, which are going to be ticketed by a travel agent. I also want to reduce the use of passive segments. Can you help?

Claim It allows the Subscriber to retrieve the PNR directly from your system and Claim It for ticketing in SABRE - without a phone call!
Fee: Same as Direct Access.

BILLING PROCESS

BILLING PROCESS

WHEN DOES THE BILLING PROCESS BEGIN?

Each segment in a SABRE Subscriber PNR is reviewed at End Transaction to determine which segments will be processed as Bookings and Credits.

WHAT IS BILLABLE ACTIVITY?

NEW SEGMENTS

When a PNR is originally created or a new segment is added to the PNR, the segment is processed through the billing system. The segment is flagged for billing. When a new segment is added as a result of an inbound Teletype message, such as schedule change protection, that segment is billed as a new segment.

MODIFIED SEGMENTS

When a segment is modified, the billing process determines how that segment is affected. The previous and current segment status codes are compared. If the status code in the previously billed segment is changed to a status code other than a cancel, the segment is recorded and processed but does not impact billing. Inbound Teletype messages such as schedule changes (for example, HK is changed to TK) and waitlist confirmations (for example, HL is changed to KK, UC or US) are in this category. No billing occurs on this activity, as the segment was previously billed at creation, and the change in status code to the segment are codes other than cancels. When no billing occurs, the activity is not reported on the Booking Information Data Tapes (BIDT).

CANCELED SEGMENTS

When a segment is canceled by a Subscriber, the cancellation is processed through the billing system and will appear in the billing documentation. If a previously billed segment is canceled using an itinerary cancel entry (for example, XI or X3), the billing documentation will continue to reflect the same current and previous status codes.

If the previously billed segment is canceled using a change segment entry (for example, HK is changed to XK), the status codes are updated to show the current status as XK and the previous status as HK.

BILLING PROCESS

The matrix below gives examples of how segment fees and cancellations are invoiced or credited based on the activity, the number in party, the billing region and the connectivity type. The amounts represent November 1996 fee schedules.

TYPE OF SEGMENT ACTIVITY	PRIOR CURRENT STATUS CODE AT END TRANSACTION	NUMBER OF PASSENGERS	BILLING REGION	CONNECTIVITY TYPE	AMOUNT BILLED OR CREDITED TO THE ASSOCIATE
NEW	NN HK	1	N. AMERICA	BBR	1.60 USD
NEW	SS HK	1	N. AMERICA	ST	2.58 USD
NEW	NN PN	1	N. AMERICA	ST	2.58 USD
NEW	GK GK	1	N. AMERICA	ST	2.58 USD
NEW	SS HK	1	N. AMERICA	AB	2.72 USD
NEW	SS HK	1	N. AMERICA	DA	2.94 USD
NEW	SS HK	1	N. AMERICA	DC	3.15 USD
NEW	NN HK	1	EUROPE	BBR	1.55 ECU
NEW	SS HK	1	EUROPE	ST	2.52 ECU
NEW	NN PN	1	EUROPE	ST	2.52 ECU
NEW	GK GK	1	EUROPE	ST	2.52 ECU
NEW	SS HK	1	EUROPE	AB	2.63 ECU
NEW	SS HK	1	EUROPE	DA	2.79 ECU
NEW	SS HK	1	EUROPE	DC	2.95 ECU
NEW	NN HK	1	ALL OTHERS	BBR	1.95 USD
NEW	SS HK	1	ALL OTHERS	ST	2.93 USD
NEW	NN PN	1	ALL OTHERS	ST	2.93 USD
NEW	GK GK	1	ALL OTHERS	ST	2.93 USD
NEW	SS HK	1	ALL OTHERS	AB	3.07 USD
NEW	SS HK	1	ALL OTHERS	DA	3.29 USD
NEW	SS HK	1	ALL OTHERS	DC	3.50 USD
MODIFIED	HK TK	1	ALL	ALL	0.00
MODIFIED	HL KK	1	ALL	ALL	0.00
CANCELED	SS HK	1	N. AMERICA	BBR	1.60 USD CR
CANCELED	HK NO	1	N. AMERICA	ST	2.46 USD CR
CANCELED	SS HK	1	EUROPE	BBR	1.55 ECU CR
CANCELED	HK NO	1	EUROPE	ST	2.52 ECU CR
CANCELED	SS HK	1	ALL OTHERS	BBR	1.95 USD CR
CANCELED	HK NO	1	ALL OTHERS	ST	2.79 USD CR

LEGEND

Billing Region

- ALL = Applies to all of the billing regions
- N. AMERICA = U.S.A., Canada, Mexico, U.S. Virgin Islands, Puerto Rico
- EUROPE = Countries listed in Attachment 3 of the Distribution and Services Agreement
- ALL OTHERS = Any country which is not listed in the regions of N. America or Europe

Connectivity Type

- DA = Direct Access
- MA = Multi Access¹⁾
- DC = Direct Connect Availability
- AB = AnswerBack²⁾
- ST = Standard (Full Availability)
- BBR = Basic Booking Request

BILLING PROCESS

FREQUENTLY ASKED QUESTIONS

How are my SABRE segment fees calculated?

Fees are calculated using the following fields: Region, Connectivity Type and Number in Party. Segment fees vary by region and connectivity type. To calculate the amount billed or credited, determine the price by using the region and connectivity type, then multiply this times the number in party. Subtract the credit amount from the billed amount for the modified net total. See Page 5 for examples.

Can a record locator or a Pseudo City Code be assigned more than once during a billing cycle?

Yes, record locators may be recycled 24 hours and one minute after the last segment is purged and Pseudo City Codes may be reassigned 24 hours and one minute after the account has terminated.

Why do I have all nines in the ARC/IATA fields?

These are bookings from locations which are non-accredited/licensed or pending accreditation/license from ARC or IATA. These may be travel agency locations or on-line services. These bookings can be transferred to an accredited site for passenger servicing such as ticketing.

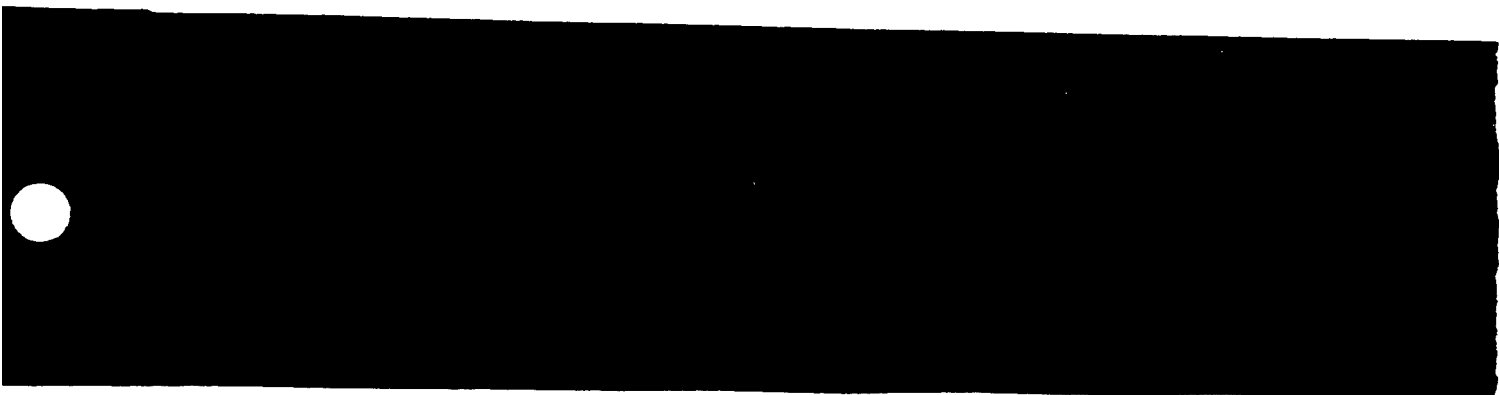
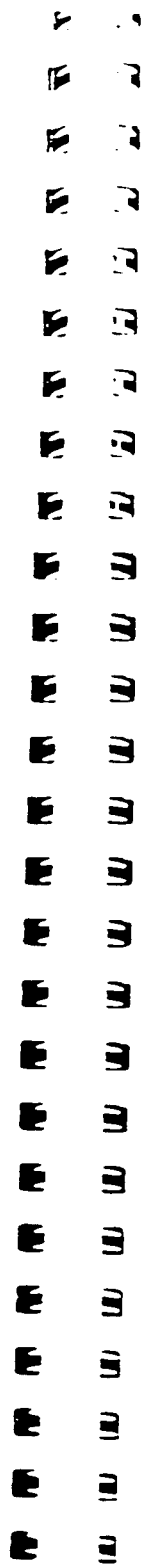
What status codes does SABRE use to bill?

Segments are billed or credited depending on the prior and current status code. Status codes are those approved by AIRIMP and/or SIPP, or which have been created by SABRE to facilitate passenger handling such as "GK" for group handling.

What do I do if fraud or abuse is suspected of a SABRE Subscriber?

Contact the Subscriber directly for an explanation. If you believe a credit is due after discussing the activity with the Subscriber, please refer to the Credit Request Guidelines in this handbook.

INTERPRETING YOUR INVOICE



INTERPRETING YOUR INVOICE

The following items explain the elements of your SABRE invoice.

1. Closing Date: The closing date is the last day of the billing month. Invoices are mailed out by the seventh business day of the following month.
2. Remit Payment To: If your airline submits payment for the invoice directly to SABRE Travel Information Network*, use the address indicated in this field. Payment is due in U.S. dollars within 30 days after the receipt of the invoice.
3. If your airline pays through the Airline Clearing House (ACH) or the IATA Clearing House, there will be a comment stating "FUNDS TO BE CLEARED BY (ACH/IATA) CLEARING HOUSE. DO NOT REMIT PAYMENT." The total amount of the invoice has been deducted from your Clearing House account.
4. Your billing address appears on the invoice. If there are any changes to your address, please notify your Account Manager.
5. Amount Due: This is the total amount due for the month including segment activity, monthly subscriptions such as DRS or MIDT, and any unique charges which occurred during the billing month.
6. "MICROFICHE COPIES IN SUPPORT...": The microfiche support for the segment activity on the invoice is mailed out by the 14th business day. An example of the microfiche detail is in Appendix C.
7. The toll-free number in the U.S. and Canada is 1-800-892-5108 for inquiries on your invoice. Outside of the U.S. and Canada, please use SITA code HDQIFAA or call directly at 1-817-963-2426. There is staff available to assist you Monday through Friday, 9 a.m. to 5 p.m., Central Standard Time.
8. Within each billing region, the type of connectivity bookings and cancels are broken out individually. Cancels are calculated using the booking fee minus the cancellation fee for the region. Cancels are shown as credits, i.e., STANDARD CNCLS 2.52CR.
9. For booking activity in countries within the European Union, activity is calculated using the ECU rate, published by Reuters, on the first day of the billing month. The ECU amount is then converted to USD.
10. ONE-TIME BILLING: The items in this portion of the invoice are charges other than booking activity. One-time charges such as Sign-In messages are shown, as well as monthly subscriptions such as BIDT, MIDT and DRS.
11. A summary of all bookings, all cancels and the net amount for all regions is shown.
12. TOTAL CHARGES: The grand total of all booking and cancel activity plus the One-Time Billing items is shown in U.S. dollars, "USD." All payments to SABRE must be in USD.

SAMPLE INVOICE

The SABRE Group™

SABRE Travel Information Network
PO Box 619616 • MD 3360
DFW Airport, Texas 75261-9616

Bank Reference TRCRSRAL
Closing Date 10 31 96
Due Not Later Than 11 31 96
Account Number ZZ
Invoice Number 0001

Currency	Amount Due	Amt. Paid
USD	12 558.49	

Remit Payment to

SABRE Travel Information Network
PO BOX 650608
DALLAS, TX 75265-0608

EXCELLENCE AIRLINES
123 PROSPERITY LANE
DALLAS, TX 75211

DETACH HERE AND MAIL THE TOP PORTION WITH YOUR PAYMENT TO THE REMITTANCE ADDRESS ABOVE

Bank Reference TRCRSRAL
Closing Date 10 31 96
Due Not Later Than 11 31 96
Account Number ZZ
Invoice Number 0001

Messages

THE CHARGES ON THIS INVOICE ARE
FOR NET BOOKINGS AND CANCELLATIONS
MADE DURING THE MONTH OF OCTOBER 1996

MICROFICHE COPIES IN THE SUPPORT OF
THIS BILLING WILL BE MAILED TO
YOU UNDER SEPARATE COVER

PAYMENT INQUIRES ASSOCIATE FINANCE
800-892-5108 FAX 817-963-4549

Please address all correspondence to
SABRE TRAVEL INFORMATION NETWORK
STIN® FINANCE
PO BOX 619616 • MD 3360
DFW AIRPORT TX 75261-9616

LOCATION ADDRESS
EXCELLENCE AIRLINES
123 PROSPERITY LANE
DALLAS TX 75211

Customer Service Inquires
1-800-892-5108

SAMPLE INVOICE

The SABRE Group

Account Name Excellence Airlines
 Account Number ZZ
 Invoice Number 0001
 Invoice Date 10/31/96
 Page 1

OCTOBER INVOICE CHARGES

QUANTITY	TAX	DESCRIPTION	PRICE/TAX	AMOUNT
AUSTRALIA BOOKINGS & CANCELS				
3456		ANSWERBACK BKGS	USD 3.07	USD 10,609.92
545		STANDARD BOOKINGS	293	1,596.85
2191		DIRECT ACCESS	3.29	7,208.39
1545		ANSWERBACK CNCLS	2.93CR	4,526.85CR
199		STANDARD CNCLS	2.79CR	555.21CR
970		DIRECT ACCESS CNCLS	3.15CR	3,055.50CR
		SUBTOTAL		11,277.60 USD
EEC COMMUNITY BOOKINGS & CANCELS				
142		ANSWERBACK BKGS	ECU 2.63	ECU 373.46
23		STANDARD BOOKINGS	2.52	57.96
54		DIRECT ACCESS	2.79	150.66
77		ANSWERBACK CNCLS	2.63CR	202.51CR
2		STANDARD CNCLS	2.52CR	5.04CR
28		DIRECT ACCESS CNCLS	2.79CR	78.12CR
		SUBTOTAL		296.41 ECU
		CONVERSION RATE ECU TO USD	1.23500000	366.67 USD
S. AMERICA BOOKINGS & CANCELS				
2		STANDARD BOOKINGS	USD 2.93	USD 5.86
		SUBTOTAL		5.86 USD
USA BOOKINGS & CANCELS				
247		ANSWERBACK BKGS	USD 2.72	USD 671.84
77		STANDARD BOOKINGS	2.58	198.66
63		DIRECT ACCESS	2.94	185.22
124		ANSWERBACK CNCLS	2.60CR	322.40CR
42		STANDARD CNCLS	2.46CR	103.32CR
52		DIRECT ACCESS CNCLS	2.82CR	146.64CR
		SUBTOTAL		483.36 USD
* INDICATES ITEMS SUBJECT TO TAX				

SAMPLE INVOICE

The SABRE Group

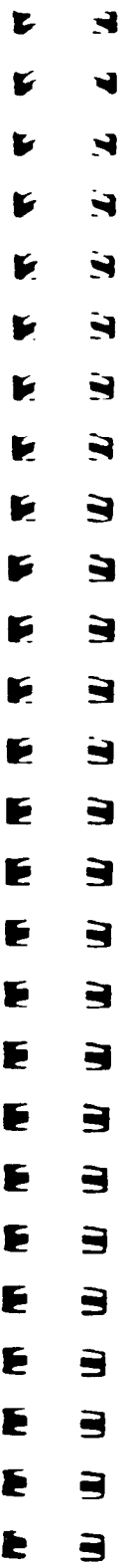
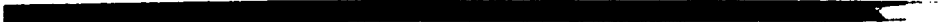
Account Name Excellence Airlines
 Account Number ZZ
 Invoice Number 0001
 Invoice Date 10 31 96
 Page 2

OCTOBER INVOICE CHARGES

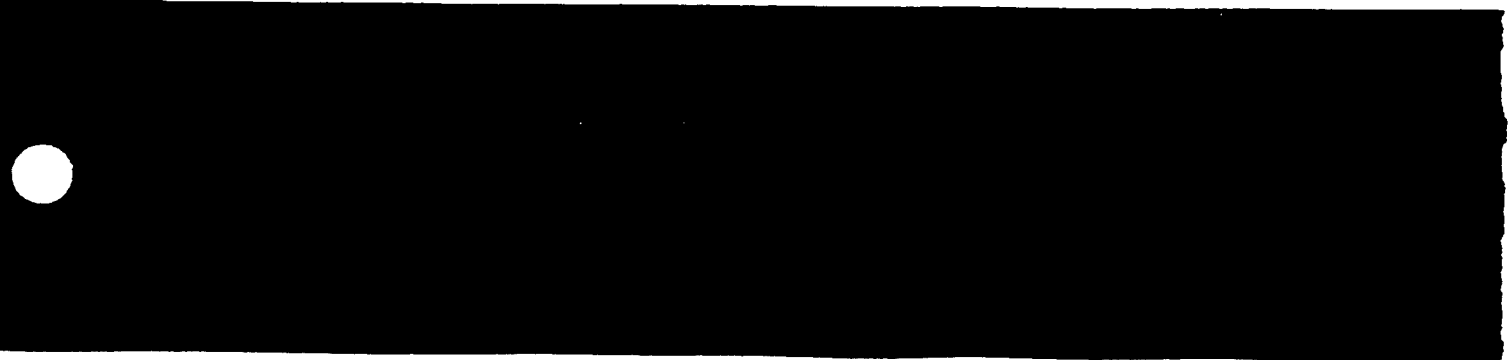

QUANTITY	T A X	DESCRIPTION	PRICE/BLX	AMOUNT
1		ONE TIME BILLING		
1		BIDT Oct-96	275.00	275.00
		SUBSCRIBERS DRS	150.00	150.00
		SUBTOTAL		425.00
SUMMARY BOOKING & CANCEL DATA: GROSS BOOKINGS TOTAL ANSWERBACK BKGS TOTAL STANDARD BOOKINGS TOTAL DIRECT ACCESS BOOKINGS CANCELS TOTAL ANSWERBACK BKGS TOTAL STANDARD BOOKINGS TOTAL DIRECT ACCESS BOOKINGS NET BOOKINGS TOTAL ANSWERBACK BKGS TOTAL STANDARD BOOKINGS TOTAL DIRECT ACCESS BOOKINGS				
3845				
647				
2308				
1746				
243				
1050				
2099				
404				
1258				

TOTAL CHARGES:

\$12,558.49



CREDIT REQUEST GUIDELINES



CREDIT REQUEST GUIDELINES

The following guidelines indicate the types of booking activity that may be considered eligible for credit by SABRE. In order to process the credit request, the Associate needs to provide PNR detail and documentation as to why the segment in question is not chargeable.

SABRE WILL ASSIST THE ASSOCIATE

- ▼ SABRE will credit any segments that did not accurately represent the Associate's air transportation services at the time that billing occurred. The verification sources are the Official Airline Guide (OAG); requests received directly from the Associate to add or modify flight information; and Multi AccessSM, Direct AccessSM, and Direct Connect AirSM.

EXAMPLES OF REQUESTS IN THIS CATEGORY ARE:

- Markets that are not operated by the Associate or its marketing partners
- Classes of service that are not used by the Associate
- Flight numbers that are not used or operated by the Associate or its marketing partners, excluding open segments, which are generally reported with a flight number of 0000
- Days of flight operation that are not published or operated by the Associate or its marketing partners.

CREDIT REQUEST GUIDELINES

SABRE WILL ASSIST THE ASSOCIATE

- ▶ SABRE will not credit any segments that accurately represent the Associate's air transportation services at the time that billing occurred, but which may have not been created in a manner desirable to the Associate. Activity within this category can be defined as air segments that have been invoiced to the Associate that the Associate has determined were booked with no intention of facilitating passenger travel, ticketing or invoicing. When this type of activity occurs, please contact the Subscriber directly to remedy the behavior.
- ▶ In accordance with the Participating Carrier Distribution and Services Agreement, Article 1.9, SABRE will assist the Associate by initiating remedial measures against any Subscriber with a documented history of instances of speculative bookings or other related abusive practices involving the sale of air transportation services. Remedial measure may be the loss of productivity awards or termination of agreement as determined by SABRE.

EXAMPLES OF BOOKING ACTIVITY IN THIS CATEGORY ARE THOSE THAT APPEAR TO BE:

- Duplicate segments
- Questionable ratios of TSS (passive) to active bookings
- Fictitious names
- Open segments with no intent to facilitate passenger travel, ticketing or invoicing
- HX/NO/UC/UN which have not been appropriately actioned by the Subscriber.

EXAMPLES OF CREDIT REQUESTS AND COST REIMBURSEMENT TOOLS

CATEGORY	CREDIT POLICY	TOOLS THAT ASSIST
Invalid Flight Date or City Pair	SABRE will credit for Travel Service Segments booked for a date that the flight does not operate or a city pair not operated by the carrier. Note: Credit is not provided for segments booked using valid city codes instead of airport codes. These bookings can be ticketed and accepted by carriers for travel.	Travel Service Segment Validation (TSSV), Passenger Notification Messaging (PNM)
Invalid Flight Number	SABRE will credit for Travel Service Segments booked for a flight number that the carrier does not operate. Open segments which do not include a flight number are not eligible under this definition.	Travel Service Segment Validation (TSSV), Passenger Notification Messaging (PNM)
Invalid Class of Service	SABRE will credit for Travel Service Segments booked with a class of service that is not used by the Associate.	Travel Service Segment Validation (TSSV), Passenger Notification Messaging (PNM)
Open Segments	The Associate shall remedy the behavior directly with the Subscriber. SABRE will assist according to Article 1.9 of the Participating Carrier Distribution and Services Agreement.	Travel Service Segment Validation (TSSV), Passenger Notification Messaging (PNM), Ticket Number Notification (TNN)
Fictitious Passenger Names	The Associate shall remedy the behavior directly with the Subscriber. SABRE will assist according to Article 1.9 of the Participating Carrier Distribution and Services Agreement.	Travel Service Segment Validation (TSSV), Passenger Notification Messaging (PNM), Name Change Restriction (NCR), Ticket Number Notification (TNN)
Duplicate Bookings or Questionable Ratios of Travel Service Segments	The Associate shall remedy the behavior directly with the Subscriber. SABRE will assist according to Article 1.9 of the Participating Carrier Distribution and Services Agreement.	Travel Service Segment Validation (TSSV), Passenger Notification Messaging (PNM), Ticket Number Notification (TNN)

SUBMITTING CREDIT REQUESTS



SUBMITTING CREDIT REQUESTS

In order to ensure that your credit request can be processed within our commitment period of 30 days from receipt of the request and that the results of our investigation are consistent with your information, please use the following guidelines:

MEDIA

- ▶ To expedite the processing, credit requests should be submitted on readable magnetic media such as diskette, 9-track reel tape or 3480 cartridge. Credit requests submitted on magnetic media in one of the formats recommended below will be processed within 30 days from receipt. Requests on non-magnetic media will be processed within no more than 90 days from receipt.

FORMAT

- ▶ Requests can be submitted in a commonly used spreadsheet software format, or in BIDS format, set up with data fields. Tapes and cartridges should be submitted in BIDS format only. An example of an acceptable layout is included as Appendix B.
- ▶ BIDS format contains 26 columns of data. The last column is a two-character filler column. If BIDS format is used to submit the request, please place a reject indicator in this column and include a legend or explanation that defines the reject codes.
- ▶ If submitting a request by diskette, you may use a packing utility, such as PK ZIP, to reduce the number of diskettes needed to contain the data. Please include which unpacking utility is used with the credit request.

CONTENTS

- ▶ Please submit credit requests for a single invoice month at the same time and sorted by invoice month. Do not submit credits for segments with future-date travel as they are eligible for future cancellation. The credit-request period for those segments is extended beyond the six-months-from-invoice date.
- ▶ Requests should include the cost of each segment submitted for credit, the number of segments and the total amount of the credit requested.

SUBMITTING CREDIT REQUESTS

CALIBRATING YOUR AUDIT PROCESS AND SOFTWARE

When submitting credit requests, please:

- ▼ Ensure that enough segment detail is included so we can retrieve the PNR in the on-line system or through a past-date request.
- ▼ Ensure that the request period is not more than six months from the invoice date. Future-date travel segments are exempt and can be submitted at a later date when the segment date is post-departure.
- ▼ Ensure that your software identifies bookings that are canceled in later months (i.e. booked in April, canceled in May).
- ▼ Ensure that the same segment is not being included in multiple categories, as credit can be issued only once for a single segment.
- ▼ Ensure that requests do not include city codes when service exists to or from one or more airports within the city.
- ▼ Ensure that credit is not requested for invalid flight data when the segment was booked using Multi Access, Direct Access or Direct Connect Air products.
- ▼ Ensure that any classes of service submitted for credit are not used by areas within your company that allow or require the Subscriber to use a unique and unpublished booking class to facilitate passenger handling, such as frequent traveler awards.
- ▼ Ensure that the mailing address is correct and includes the mail drop (MD 3360) and department name (Associate Finance).
- ▼ Ensure that the credit request media is packaged to protect it from damage during delivery.

BILLING SERVICES CONTACTS

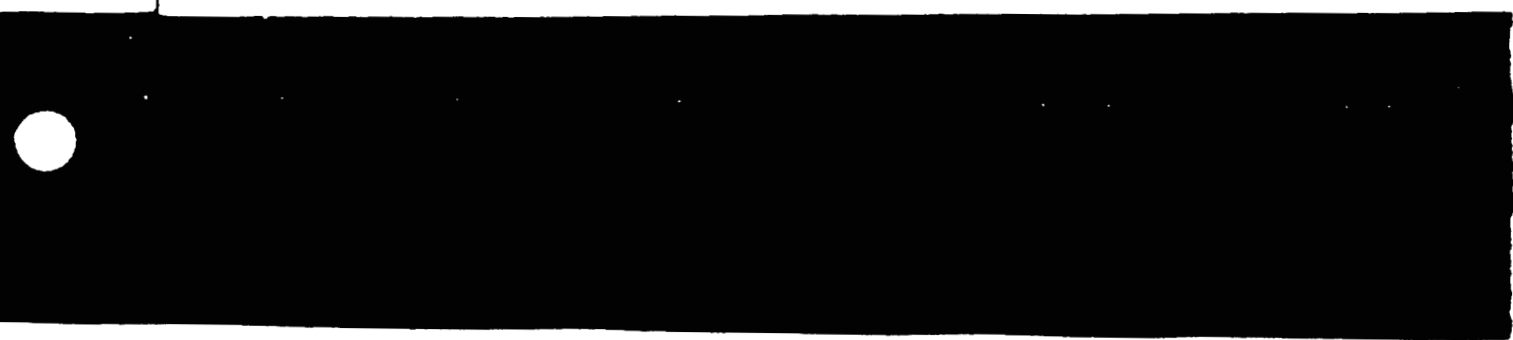
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BILLING SERVICES CONTACTS

GENERAL INFORMATION

- ▼ For general information on the billing process, interpreting your invoice and the BIDT layout, or determining the status of your credit request, please contact:

Associate Financial Services
U.S. and Canada 1-800-892-5108
Outside the U.S. and Canada 1-817-963-2426
FAX 1-817-963-4549
SITA HDQIFAA

CREDIT REQUESTS

- ▼ To send a credit request, please use one of the following mailing addresses:

POSTAL SERVICE

ATTN: Manager, Associate Finance
SABRE Travel Information Network
P.O. Box 619616, Mail Drop 3360
DFW Airport, Texas U.S.A. 75261-9616

EXPRESS MAIL

ATTN: Manager, Associate Finance
SABRE Travel Information Network
4200 American Blvd., Mail Drop 3360
Fort Worth, Texas U.S.A. 76155

Your request will be acknowledged within 48 hours of receipt.

ADDRESS CHANGES

- ▼ For BIDT subscriptions or a change of address notification, please telephone your Account Manager or send a SITA message to HDQAJAA.

APPENDIX

APPENDIX A:

BILLING REGIONS



LEGEND

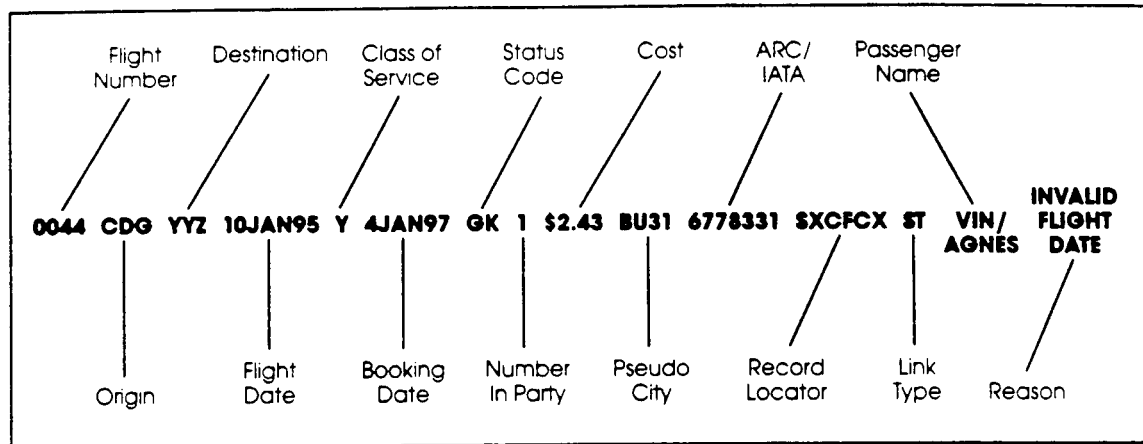
North America = [solid black box]

Europe = [stippled box]

All other = (not shaded)

APPENDIX B:

EXAMPLE OF SEGMENT LEVEL DETAIL NEEDED TO ANALYZE CREDIT REQUESTS



MICROFICHE LAYOUT

REPORT NUMBER	SS198 BGS/CANS DETAIL					SABRE TRAVEL INFORMATION NETWORK			DATE 11/04/96 PAGE 630		
	CARRIER ZZ					SABRE AIR BOOKING DETAIL			OCTOBER 1996		
COUNTRY US - UNITED STATES	PRUEDO CITY CODE 00X2					SUBSCRIBER NAME XX TRAVEL			CITY GLENDALE IATA/ARC NUMBER XXXXXXXXX		
MARKET	FLIGHT DATE	FLIGHT NUMBER	CLASS	BOOKING DATE	PASSENGER NAME	STATUS CODE	RECORD LOCATOR	CHANNEL	BOOKINGS	CANCELS	BOOKING TYPE
JFK-LAX	11/28/96	100	Y	10/3/96	SMITH/J	SS	SWLBAC	SA	2	0	DA
JFK-LAX	12/13/96	100	Y	10/1/96	JONES/B	SS	SEDKMN	SA	2	0	DA
LAX-JFK	12/14/96	101	Y	10/2/96	SMITH/J	SS	HMBEAS	SA	2	0	DA
LAX-JFK	12/25/96	101	Y	10/1/96	JONES/B	SS	LJHNSD	SA	2	0	DA
TOTAL FOR PRUEDO CITY CODE 00X2						BOOKINGS 8	CANCELS 0	NET 8			
COUNTRY US - UNITED STATES	PRUEDO CITY CODE 10X2					SUBSCRIBER NAME YY TRAVEL			CITY OAKLAND IATA/ARC NUMBER XXXXXXXXX		
LAX-SFO	11/4/96	302	C	10/18/96	ABBOTT/G	SS	UTYREC	SA	3	0	ST
SFO-LAX	12/4/96	301	C	10/18/96	ABBOTT/G	SS	UTYREC	SA	3	0	ST
LAX-SFO	11/4/96	302	C	10/22/96	ABBOTT/G	HX	UTYREC	SA	0	3	ST
SFO-LAX	12/4/96	301	C	10/22/96	ABBOTT/G	HX	UTYREC	SA	0	3	ST
DFW-CAH	1/8/97	1142	V	10/7/96	QUINN/M	SS	HGXJZA	SA	1	0	AB
CAH-DFW	1/18/97	1143	V	10/7/96	QUINN/M	SS	HGXJZA	SA	1	0	AB
TOTAL FOR PRUEDO CITY CODE 10X2						BOOKINGS 8	CANCELS 6	NET 2			
COUNTRY US - UNITED STATES	PRUEDO CITY CODE 20X2					SUBSCRIBER NAME MM TRAVEL			CITY DALLAS IATA/ARC NUMBER XXXXXXXXX		
DFW-MK	12/16/96	110	Z	10/1/96	SCOTT/RAY	SS	DXOPKL	SA	6	0	ST
MK-DFW	12/30/96	111	Z	10/1/96	SCOTT/RAY	SS	DXOPKL	SA	6	0	ST
ORD-LAX	12/13/96	204	F	10/28/96	MOON/D	LL	UNYTPR	SA	2	0	ST
LAX-ORD	12/31/96	205	F	10/28/96	MOON/D	LL	UNYTPR	SA	2	0	ST
TPA-ORD	11/18/96	334	Y	10/3/96	BARKER/S	HK	HMBTUY	SA	6	3	AB
TPA-ORD	11/12/96	335	Y	10/3/96	BARKER/S	HK	HMBTUY	SA	6	3	AB
TOTAL FOR PRUEDO CITY CODE 20X2						BOOKINGS 8	CANCELS 6	NET 2			
SUBTOTALS FOR COUNTRY US						BOOKINGS 32 CANCELS 12 NET 20					
BOOKING TYPE NET SUBTOTALS						ST 0 DA 18 DC 0 MA 0 AB 2					
STATUS CODE NET SUBTOTALS						SS 28 HX 4 LL 4 HK 4					
TOTALS FOR CARRIER ZZ						BOOKINGS 52,202 CANCELS 22,866 NET 29,337					
STATUS CODE NET SUBTOTALS						TX 442 BL 25,294 LL 12,018 HL 3,306 NN 3,444 UU 61 HK -11,486 EL 287					
						UN -337 TL -138 US -46 UC -136 GK 6,964 DB 274 EL 4 BR -489 HX -910					

REPORT NUMBER	SS198 BGS/CANS SUMMARY	EXCELLENCE AIRLINES, INC						PAGE
		SUBSCRIBER/COHORT OFFLINE REPORTS						DATE
		COHORT/INTERNATIONAL HOST - MICRO COUNTRY SUBTOTALS - ZZ						11/14/96
		OCTOBER 1996						
		TOTAL ACCESS BOOKINGS						
	CHANNEL	STANDARD BOOKINGS	DIRECT ACCESS	DIRECT CONNECT	MULTI ACCESS	ANSWER BACK	TOTAL BOOKING	BOARDING PASSES
REGION ASI								
COUNTRY HONG KONG								
BGS	SA	0	0	9	0	0	9	0
CANS	SA	0	0	5	0	0	5	0
TOT BGS HONG KONG								
TOT CANS HONG KONG								
COUNTRY INDIA								
BGS	SA	0	2	17	0	0	19	0
CANS	SA	0	0	2	0	0	2	0
TOT BGS INDIA								
TOT CANS INDIA								
COUNTRY JAPAN								
BGS	SA	25	4	347	0	0	376	0
CANS	SA	57	2	346	0	0	405	0
TOT BGS JAPAN								
TOT CANS JAPAN								
REGION YO								
BGS ASI								
CANS ASI								
NET ASI								

APPENDIX D:

BOOKING INFORMATION DATA TAPES

SUBSCRIPTIONS

The Booking Information Data Tape (BIDT) product provides your carrier's booking activity in SABRE for quick and efficient invoice reconciliation. The tapes are made available on a monthly basis in either cartridge or reel format.

If your request for a BIDT subscription is received prior to the 15th of the month, it will be processed by the end of the current month. Requests that are received after the 15th of the month will be processed by the end of the next month.

BIDT DATA RECORD

Information contained within the SABRE BIDT product includes:

- | | |
|------------------------|----------------------------------|
| ▼ Pseudo City Code | ▼ Flight Date* |
| ▼ Airline Code | ▼ Cancel Indicator |
| ▼ Board Point | ▼ Connectivity Type |
| ▼ Off Point | ▼ Country Code |
| ▼ Class of Service | ▼ Location Name |
| ▼ PNR Locator | ▼ City and State |
| ▼ Flight Number* | ▼ Parent ARC/IATA Number** |
| ▼ Current Status Code | ▼ ARC/IATA Number** |
| ▼ Previous Status Code | ▼ Two-Character Class of Service |
| ▼ Passenger Name | ▼ Agent Duty/Sine |
| ▼ Number in Party | ▼ Create City |
| ▼ Booking Date | ▼ PNR Type |

* In compliance with industry standards and DOT Regulations, SABRE provides flight numbers and flight dates if they exist.

** In compliance with industry standards and DOT Regulations, SABRE provides ARC/IATA numbers if they exist.

APPENDIX D:

BIOT RECORD LAYOUT

The record length can contain up to 282 bytes of data.

Label	Length	Description
Pseudo City Code	05	Four-character, left-justified internal Subscriber identification code. Identifies the Subscriber who originated or claimed the PNR.
Airline Code	03	Standard Industry Airline Codes, left justified.*
Board Point	03	Board Point of the segment booked.
Off Point	03	Off Point of the segment booked.
Class of Service Encode	01	One-character Class of Service. This is an alphanumeric character-based field.
PNR Locator	06	Internal six-character Record Locator. Indexed against the name and flight data.
Flight Number	04	Flight number of the segment.
Current Status Code	02	Current Status Code of the segment.
Previous Status Code	02	Previous Status Code of the segment.
Passenger Name	20	Passenger Name. The name is the first shown in the PNR - 20-character, left justified.
Number in Party	03	Number in Party in the PNR.
Booking Date	08	Date of segment activity. Format: YYYYMMDD

* A listing of SABRE-used Commuter Carrier and Codeshare service conversions is shown in Universal STARs N*/COMMUTER and N*/COMMUTER1

APPENDIX D:

Label	Length	Description
Flight Date	08	The departure date of the segment. If the segment is OPEN with no date, the field is 00000000. Format: YYYYMMDD
Cancel Indicator	01	Indicates if the segment is a cancel segment. 1 = cancel, 0 = not a cancel.
Connectivity Types	02	Character-based Connectivity Type using the following values: DA - Direct Access MA - Multi Access DC - Direct Connect AB - AnswerBack ST - Standard
Country Code	02	Official IATA Country Code.
Location Name	30	Registered Subscriber Name – 30-characters, left justified.
City and State	20	City and State registered with SABRE – 20-character, left justified.
Parent ARC/IATA Number	08	Industry assigned ARC/IATA number. Seven-character field with trailing blank. Left justified.
ARC/IATA Number	08	Industry assigned ARC/IATA number. Seven-character field with trailing blank. Left justified.
Class of Service Decode	02	Two-character Class of Service. This is an alphanumeric character-based field.

APPENDIX D:

Label	Length	Description
Agent Duty/Sine	04	This field provides the Agent Duty/Sine of the updating agent. First character represents the Agent Duty Code and the last three characters represent the Agent Sine.
Create City	05	This character-based field identifies the Create City/Location (Pseudo City Code) where the segment was originally booked.
PNR Type	01	Populated with a C for group booking; I for infant; 0 if neither group nor infant. Available January 1997 BIDT.
Filler	131	Currently not in use.

MEDIA SELECTIONS

- ▼ 9 Track Reel
6,250 BPI
1600 BPI
800 BPI
- ▼ 3480 Cartridge
Compressed
Non-Compressed
- ▼ Block Size
32,712 Bytes
- ▼ Record length
282 Bytes

SABRE, SABRE Travel Information Network and STIN are registered service marks, and the SABRE Travel Information Network logo, Claim It, Direct Access, Multin Access, AnswerBack, The SABRE Group and Direct Connect Air are service marks, of an affiliate of The SABRE Group, Inc. All other trademarks referenced are trademarks of their respective companies. ©1996 The SABRE Group, Inc. All rights reserved.



December 12, 1996

Dear Participating Carrier:

Our goal at SABRE is to provide our air associates with the best distribution value. SABRE has and will continue to invest in the most comprehensive suite of tools that allow your agents to efficiently access and sell your product. These investments will require a modest booking fee increase effective February 1, 1997, but those carriers who most effectively utilize these tools can expect to see unit cost benefits.

In 1996, SABRE introduced Electronic Ticketing, Claim It Assist, Ticket Number Notification, Direct Connect Pre-Reserved Seats, and Segment Revenue Management. Many customers have told us they are seeing the benefits of these solutions already.

We also launched Travelocity for the consumer channel and recently announced a series of strict security and anti-spoilage controls for both easySABRE and Travelocity. We now have over three million members and the best Internet controls in the industry, with more to come in 1997. SABRE Business Travel Solutions (SABRE BTS), our corporate travel management product, is now in production with many important users coming on-line. SABRE BTS will soon become an important tool for the distribution of your product.

Additionally, in response to your feedback, we are pleased to announce that effective February 1, 1997, SABRE will no longer charge for duplicate segments created during the subscriber conversion process.

Based on your input, our 1997 product development efforts will again focus on revenue management tools, as well as products that provide you with greater control over the types of bookings made through the SABRE system. In particular, SABRE is developing products to assist in the following areas:

- Tracking duplicate and unactioned segments
- Validating travel service segments
- Identifying points-of-sale and channels-of-sale
- Evaluating inventory based on segment revenues
- Improving consumer and corporate distribution channels

A more detailed overview of SABRE products targeted for delivery in 1997 is attached, as well as the revised booking fee schedule. SABRE is also defining a fourth billing region, to be called South Pacific, effective February 1, 1997, for a group of countries listed in the attachment.

We look forward to working with you to strengthen your carrier's distribution in 1997. Thank you for your continued business.

Sincerely,

Scott Alvis
Managing Director, Associate Sales & Marketing
SABRE Travel Information Network

Attachments

ATTACHMENT

Effective February 1, 1997, the new fee levels, based on country of booking, are as follows:

<u>Region</u>	<u>Booking Type</u>	<u>New Fee</u>
---------------	---------------------	----------------

North America (United States including Puerto Rico and U.S. Virgin Islands, Canada, and Mexico)

Basic Booking Request	USD 1.65
Full Availability	USD 2.65
Carrier Specific Display	USD 2.75
AnswerBack	USD 2.79
Direct Access/Multi Access/Direct Connect Sell	USD 3.05
Direct Connect Availability	USD 3.26

Europe (as defined in Attachment 3 of SABRE Participating Carrier Agreement)

Basic Booking Request	ECU 1.65
Full Availability	ECU 2.59
Carrier Specific Display	ECU 2.67
AnswerBack	ECU 2.70
Direct Access/Multi Access/Direct Connect Sell	ECU 2.89
Direct Connect Availability	ECU 3.05

South Pacific* (See listing of countries below)

Basic Booking Request	USD 1.95
Full Availability	USD 2.93
Carrier Specific Display	USD 3.03
AnswerBack	USD 3.07
Direct Access/Multi Access/Direct Connect Sell	USD 3.33
Direct Connect Availability	USD 3.54

Rest of World (All other countries)

Basic Booking Request	USD 2.00
Full Availability	USD 3.02
Carrier Specific Display	USD 3.12
AnswerBack	USD 3.16
Direct Access/Multi Access/Direct Connect Sell	USD 3.42
Direct Connect Availability	USD 3.63

Note: European booking fees will be converted into USD each month for billing purposes. The cancellation fee set out in Article 3.1.1 is unchanged. Payment for all regions will be made in USD. The fees shown, where applicable, in addition to the Full Availability increase also include increases in charges for premium connectivity, including a new Direct Access, Direct Connect, and Multi Access fee of ECU 0.30 in Europe and \$0.40 in all other countries. The additional charge for Direct Connect Availability of ECU 0.16 in Europe and \$0.21 in all other countries will remain the same.

*The region to be designated as "South Pacific" will contain the following countries: American Samoa, Australia, Cook Islands, Fiji Islands, French Polynesia, Kiribate, Nauru, New Caledonia, New Zealand, Niue, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu, Wallis/Futuna Islands and Western Samoa.

1997 Revenue Maximization Tools for SABRE® Airline Associates

Our 1997 revenue maximization tools provide you with even greater capabilities to optimally manage your inventory and pricing through SABRE. Via SABRE, you are able to target the right customer at the right time for the right price.

Direct ConnectSM Frequent Traveler (FQTV) will allow a subscriber to enroll, verify mileage, and review frequent traveler status for passengers on carriers that participate in this feature.

Direct ConnectSM Pre-Reserved Seats links the SABRE Subscriber directly with the participating carrier during the seat assignment process. The subscriber's seat requests are transmitted instantly, saving the subscriber time and allowing the carrier to offer better service by providing immediate confirmation of the seat request. Direct Connect Pre-Reserved Seats offers an alternate seat assignment to passengers if the original choice is not available; lowers teletype rejects; reduces non-revenue producing calls to airline reservations office; and provides Associates with a method of offering priority seating to frequent flyers.

Direct ConnectSM Seat Maps will provide SABRE Subscribers with easy seat map displays. With Direct Connect Seat Maps, subscribers will still get the same detailed information, but in a generic and user-friendly format. Subscribers will have easy access to interactive seat data.

Direct ConnectSM Journey Notification provides participants with a competitive advantage by enabling you to evaluate inventory based on segment revenue in relation to the entire journey. Journey Notification advises you of the segments that are already booked in the passenger's itinerary when an availability request is made. You can specify if you wish to receive all or part of the itinerary.

Group Claim ItSM, as with the Claim It product, allows a SABRE Subscriber to enter your internal reservations system and claim a PNR. Claim It reduces agency phone calls to your reservations staff; reduces the use of Travel Service Segments; reduces support costs and teletype rejects; and increases customer service!

Expanded Point-of-Sale will include unique identifiers that will differentiate the traditional SABRE Subscriber from corporate bookings through SABRE Business Travel Solutions, or consumer bookings via Travelocity and other on-line services. The expansion will allow you to identify and make decisions on inventory and yields based on the type of channel the consumer is using.

A WORLD OF TRAVEL SOLUTIONS



1997 Cost Management Tools for SABRE® Airline Associates

Our cost management tools focus on providing you with greater control over your bookings. Our goal is to provide you with an extensive suite of products to audit bookings at the point-of-sale versus after the booking is made. You retain control over who is shopping and selling your inventory.

Associate Booking Control will remove all booking privileges from a subscriber location including Travel Service Segments. This includes Travel Service Segments.

Duplicate Segment Validation will prevent the duplication of an itinerary within a single PNR. This will inhibit end transaction when duplicates of the same airline, passenger name, flight number, date of travel and city pairs exist. This prevents billing of duplicates within a single PNR and protects your inventory.

Duplicate Segment Check will identify duplicate itineraries across multiple PNRs and queue them to the subscriber. Duplicate Segment Check will reinforce the message to cancel duplicate space so inventory can be returned for re-sale.

HX, NO, UC and UN Queuing will be done when a subscriber has not cancelled a segment with these status codes after receipt of the teletype message. This will serve as a reminder to the subscriber that the segment should either be cancelled or verified directly with the airline.

Travel Service Segment Validation will be enhanced to offer more validation of Travel Service Segments. Travel Service Segment Validation matches manually input segments against your published information in SABRE to ensure the accuracy of the city pair, frequency and flight number. The new options will be:

- Class of service validation
- Open segment validation
- Exclusion of specific pseudo city codes from validation

A WORLD OF TRAVEL SOLUTIONS



SABRE

Corporate and Consumer Distribution Channels

SABRE Business Travel SolutionsSM

SABRE Business Travel Solutions (SABRE BTSSM) is the most comprehensive corporate direct offering. SABRE BTS includes four distinct product modules. The first two, SABRE Travel Planner and SABRE Policy Manager, have already been released. In 1997, two additional modules will be released. These include SABRE Expense Reporter and SABRE Decision Manager.

By year-end 1997, we expect to have 500,000 corporate users of the SABRE BTS product. As this channel expands, airlines will benefit from a direct link to corporate travelers, expanded marketing data, and numerous opportunities to increase the efficiency of distribution to corporations.

TravelocitySM

Travelocity is the most powerful one-stop travel site on the Net, targeting the largely untapped market of the 'unmanaged traveler'. Currently, three million consumers are members, and the growth rate is still climbing at 20 percent each month.

In 1997, Travelocity will complete the following enhancements:

On-Hold Auto-Cancel will automatically cancel a PNR in one of two circumstances, whichever comes first: (1) if it is not directed for ticketing within 24 hours after the reservation is made or (2) when it reaches its ticketing time limit.

Multiple Booking Limitations will limit a consumer from placing more than three PNRs on hold at a given time. With this feature, inventory control in Travelocity will be enhanced.

Sales Inhibitor will prohibit a consumer from making an airline booking in Travelocity within 24 hours of departure. You retain control over your inventory as departure dates approach so strategic decisions can be made about unsold inventory.

A WORLD OF TRAVEL SOLUTIONS



SABRE



Airlines Reporting Corporation

Industry

Agents'

Handbook

ARC | October 1996

AGENT REPORTING AGREEMENT

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AGENT REPORTING AGREEMENT

This agreement by and between Airlines Reporting Corporation (hereinafter "ARC"), 1530 Wilson Boulevard, Suite 800, Arlington, VA 22209-2448, on its own behalf and on behalf of the carriers which have or hereafter execute the ARC Carrier Services Agreement (hereinafter "carrier" or "carriers") and which appoint the Agent under this agreement,

and

the person who executes the memorandum of agreement described in section XXV hereof, agreeing to be bound to the terms and conditions of this agreement (hereinafter called "the Agent"),

WITNESSETH:

WHEREAS, ARC maintains an agency list containing the names of persons who have been found to meet certain minimum requirements and qualifications, and are eligible to issue ARC traffic documents and to sell air transportation or provide for ancillary services on carriers which appoint them;

WHEREAS, carriers which are parties to the ARC Carrier Services Agreement may appoint and provide their airline identification plates to such persons for the sale of air transportation and the issuance of ARC traffic documents on their behalf;

WHEREAS, ARC administers and operates the agents' standard ticket and area settlement plan (hereinafter "ASP" or "the Plan") through which persons included on the ARC agency list report ARC traffic documents for the sale of air transportation and ancillary services on behalf of the carriers, and make settlement therefore;

WHEREAS, the Agent engages in the sale of air transportation to the public as agent for and on behalf of the carriers and, upon application duly submitted, the agent has been found qualified for inclusion on the ARC agency list;

WHEREAS, the Agent will utilize the plan to report ARC traffic documents issued for the sales of air transportation and ancillary services on behalf of the carriers appointing such Agent, and make settlement therefore;

NOW, THEREFORE, in consideration of these premises and the mutual covenants and agreements hereinafter set forth, it is mutually agreed as follows:

SECTION I: PURPOSE AND SCOPE

A. The purpose of this agreement is to facilitate the issuance of ARC traffic documents to the public by agents of carriers in a competitive and efficient manner.

B. This agreement establishes a principal-agent relationship between the Agent and appointing carriers, and governs the terms and conditions under which the Agent is authorized to issue ARC traffic documents at or through its authorized agency locations in the United States, and does not extend to the terms and conditions under which the Agent is authorized to issue tickets and other forms that the carrier may provide to the Agent.

C. This agreement does not constitute the entire agreement between the Agent and a carrier, but is specifically limited to the terms and conditions contained herein.

SECTION II: DEFINITIONS

For the purpose of this agreement—

AGENCY LIST and LIST mean the agency list maintained by ARC, which includes the name, address and agency code number for each authorized agency location which has been found qualified under ARC standards, and contains the classification under which the location was included.

AGREEMENT means the ARC Agent Reporting Agreement.

AGENT IDENTIFICATION PLATE means a plate bearing the Agent's name, city, state, and code number, which is used in a validator machine for the validation of ARC traffic documents (paper format).

AIRLINE IDENTIFICATION PLATE means a plate bearing the carrier's name or authorized abbreviation, and code number, and is used in a validator machine for the validation of ARC traffic documents (paper format).

ARBITER means the Travel Agent Arbiter established by ARC as an independent entity (including all Associate Travel Agent Arbiters) to decide disputes between ARC and agents and applicants.

ARC TRAFFIC DOCUMENTS means agents' standard tickets, miscellaneous charges orders, tour orders, and all other accountable forms and documents, both manual and automated, which ARC provides to agents in paper format for issuance to their clients, and which bear ARC-issued numbers, as well as electronic versions thereof. Both formats, paper and electronic, are assumed throughout this agreement; if only one format is applicable, such shall be noted. The term does not include carriers' own ticket stock, which includes tickets, miscellaneous charges orders, tour orders, and other accountable forms and documents of the carriers, or electronic versions thereof.

ARC TRAFFIC DOCUMENTS (PAPER FORMAT) include both manual and automated (transitional automated tickets and Automated Ticket and Boarding Pass forms) ARC traffic documents.

ARC TRAFFIC DOCUMENTS (ELECTRONIC FORMAT) mean any ARC traffic documents other than ARC traffic documents (paper format).

AREA BANK means a bank or a processing center designated to receive and process sales reports and remittances from authorized agency locations in a geographic area.

AUTHORIZED AGENCY LOCATION means a place of business operated by an agent which is included on the agency list, and includes the home office location and any branch office location of the Agent.

CHECK means the check, draft, or debit entry that an area bank draws or initiates on the Agent's account designated pursuant to section VII.B of this agreement, to charge the amount owed by such agent under section VIII hereof. The various terms for describing the charge are used interchangeably in this agreement.

CONTROL means the power or authority to manage, direct, superintend, restrict, regulate, govern, administer, or oversee; and the term embraces every form of control, actual or legal; direct or indirect; negative or affirmative; individual, joint, several, or family, without regard to the type or number of intervening or supervening persons involved. Two persons are under "common control" when both are controlled by the same person or persons.

CREDIT REQUEST MEMO means any written request from an agent to a carrier demanding payment of any obligation arising under the agreement, and includes any form of credit request authorized by the carrier, including the Agent Sales Summary Adjustment Request, Form 1282.

DEBIT MEMO means any written request from a carrier to an agent for payment of any obligation arising under this agreement.

ELECTRONIC ISSUANCE of ARC traffic documents must include, but is not limited to, the process by which an ARC-issued number is assigned to the ARC traffic document.

INDUSTRY AGENTS' HANDBOOK or **HANDBOOK** means a handbook containing various rules, regulations, and instructions of ARC covering an agent's responsibilities and activities under the agreement, which is maintained by ARC, and updated from time to time, and provided to all agents on a current and continuing basis.

PERSON includes an individual, corporation, partnership, association, company, or firm.

SYSTEM PROVIDER means a person, company, or other legal entity which operates a computerized reservations system which supplies ticketing data required for the imprinting of ARC traffic documents in paper format, or for the issuance of ARC traffic documents in electronic format, by ARC-approved Agents, and which has entered into an agreement with ARC and with the carrier(s) which are parties to the Agent Reporting Agreement.

THE TRAVEL AGENT ARBITER PROGRAM, INC. is a corporation chartered in the District of Columbia whose purpose is to oversee the Travel Agent Arbiter and other specified programs.

UNITED STATES includes only the fifty states and the District of Columbia.

VARIABLE REMITTANCE PLAN means an arrangement negotiated between an individual carrier and an agent under which the agent settles ARC traffic documents with ARC on a schedule other than the tenth day after the close of the sales period, or settles directly with an individual carrier. There are four variable remittance plan options, including Direct Form of Payment (DP), Direct Form of Payment with Invoice (DI), Variable Payment with Consolidated Check (PC) and Variable Payment with Individual Check (PI).

SECTION III: LOCATIONS COVERED BY THIS AGREEMENT

- A. The Agent may exercise the authority granted herein, only at such places of business operated by the Agent as are included on the ARC agency list.
- B. This agreement covers the home office and all branch locations of the Agent, including any which may be added to the ARC agency list after the date of execution hereof.
- C. No branch location shall be included on the agency list unless the corporate structure or ownership of the home office and the branch is absolute and all inclusive as a single entity, and the home office has full legal and financial responsibility for the administration, staff, liability, maintenance, and operational expense of the branch location.
- D. If the Agent wishes to have a place of business included on the agency list as a branch location under the terms of this agreement, it shall submit an application to ARC in accordance with the procedures ARC shall prescribe for submitting and processing such applications. ARC shall not approve any application for a branch location unless, among other things, the Agent is properly bonded in the amount and form required by section IV.A.1 of this agreement.

SECTION IV: QUALIFICATIONS FOR RETENTION ON THE AGENCY LIST

To be retained on the agency list, the Agent must continue to meet the following criteria:

A. Financial Requirements

1. a. The Agent shall, without expense to ARC or any carrier, procure and maintain for the joint and several benefit of the carriers and ARC, a bond issued by a surety included on the current revision of Circular 570 issued by the United States Treasury Department, entitled "Surety Companies Acceptable on Federal Bonds." The bond shall be in the form prescribed from time to time by ARC and shall be in the amount prescribed below. Subject to the minimum and maximum amounts stated below, the amount of the bond shall be equal to at least the average monthly net cash remittance as determined for the twelve-month period ending on the last sales period ending date of the fifth month prior to the anniversary date of the Agent's bond. If the Agent was approved by ARC within the preceding 12 months, the amount of the bond shall be equal to at least the average monthly net cash remittance of the preceding months ending on the last sales period ending date of the fifth month prior to the anniversary date of the Agent's bond.

- (1) The minimum amount of the bond that shall be maintained by each Agent approved by ARC for inclusion on its agency list shall be \$20,000. This requirement shall remain in force as to each such agent for two years from the date of such approval; thereafter, the minimum shall be \$10,000.
- (2) In no event shall the amount of the bond required of an applicant for a change of ownership as described in sections I, III, and IV of attachment G of this agreement be less than the amount of the bond required of the Agent prior to the approval of any such ownership change.
- (3) The minimum amount of the bond that shall be maintained by each Agent as to which a change of ownership within the scope of section II and section V of attachment G of this agreement is approved by ARC shall be \$20,000. This requirement shall remain in force as to each such Agent for two years from the date of such approval, thereafter, the minimum shall be \$10,000. However, in no event shall the amount of the bond required of an applicant for any change of ownership as described in sections II and V of attachment G of this agreement be less than the amount of the bond required of the Agent prior to the approval of

any such ownership change, or \$20,000, whichever is greater.

- (4) The maximum amount of the bond that shall be maintained by each Agent shall be \$70,000.

b. In lieu of the bond required by section IV.A.1.a of this agreement, the Agent may provide an irrevocable bank letter of credit in the form prescribed from time to time by ARC. The amount of the letter of credit shall be determined at all times in the same manner as the amount of the bond.

c. The Agent's bond or letter of credit shall cover all amounts owed by the Agent to the carriers and ARC for tickets or other instruments of value issued on ARC traffic documents which were supplied in trust to the Agent in paper and electronic format, including, but not limited to: amounts owed for tickets and other instruments of value which have been used but not reported or paid for; amounts owed for dishonored drafts or debit entries; and amounts owed on account of the loss, misapplication, theft, forgery, or unlawful use of ARC traffic documents unless the agent is otherwise relieved of liability pursuant to the terms of this agreement.

2. Effective on and after May 1, 1987, each agent which has been on ARC's agency list continuously for two years, and each agent (1) as to which ARC has approved a change of ownership within the scope of parts II or V of attachment G to this agreement and (2) which has been on ARC's agency list continuously for two years, may maintain, in lieu of the bond or letter of credit prescribed above, a bond or letter of credit in the required form in the amount of \$10,000. This option may not be exercised until the Agent has submitted, and ARC has approved in writing, a current financial statement which shall thereafter be updated and submitted annually to ARC for written approval and shall at all times meet the following requirements:

a. The financial statements of the Agent must: (1) be examined or audited in accordance with generally accepted auditing standards; and (2) be prepared in accordance with generally accepted accounting principles; and (3) contain a report on the examination signed by a person or firm licensed to practice public accountancy in a state of the U.S. Financial statements which are merely "reviewed" or "compiled," but not examined or audited by a firm licensed to practice public accounting, do not meet these requirements; and

b. Tangible net assets demonstrated by such statements shall be at least \$100,000; and

c. The report on the financial statements must have been prepared within four months of the close of the period covered by the financial statements and, together with the relevant forms, mailed to ARC within thirty (30) days after the date of the report of the public accountant.

d. Where the Agent is not a corporation but involves one or more individuals, personal financial statements may be accepted if prepared in accordance with Statement of Position 82-1 as published by the American Institute of Certified Public Accountants, and meets all other requirements set forth above.

e. Financial statements meeting all the relevant requirements above may be accepted on behalf of an incorporated agent from either the parent organization, if the Agent is its subsidiary, or a stockholder of the Agent, provided that such parent or stockholder has on file with ARC an acceptable written guarantee of the Agent's obligations under this agreement.

3. Any required change in form of the bond, or any required adjustment of the amount of the Agent's bond or irrevocable bank letter of credit to provide coverage in excess of the minimum shall be made each time it is renewed, reinstated, or replaced. If ARC determines that the Agent's bond or irrevocable bank letter of credit is less than the required amount, ARC will notify the Agent at least ninety (90) days in advance of the anniversary date of such instrument. If, however, the increase required is greater than \$10,000, the Agent may increase the bond or letter of credit in the amount of \$10,000 per quarter, or 25 percent of the total increase required per quarter, whichever is higher.

Notwithstanding the above concerning the time for adjusting, and the method of adjusting, the amount of coverage required, ARC will not approve an application for an additional authorized agency location of an agent unless the agent's bond or letter of credit is in the form prescribed by ARC and the amount prescribed by section IV.A.1 of this agreement.

4. In addition to the other financial requirements of this subsection, the Agent shall cause to have executed on its behalf a "Personal Guarantee of Performance of Agent's Agreement," attachment C of this agreement, if:

a. The Agent is declared in default pursuant to section VIII.D of this agreement and, upon demand, fails to provide a certified check in replacement of a dishonored check or for withheld sales of

unreported ARC traffic documents, or fails to provide a missing sales report together with a certified check to cover the report; or

b. The Agent is required by the Arbitrator to do so.

B. Personnel Standards

1. Each authorized agency location of the Agent shall have at least one person who is a full-time employee at the place of business, and is either the owner, partner, officer, or manager who fulfills each of the following qualifications:

a. Exercises daily supervision of, and responsibility for, the operations of that agency location and has the authority to make management decisions therefor;

b. Has at least two years' full-time experience in either (1) selling general travel services to the public or (2) supervising the operation of a business offering such services; and

c. Has demonstrated knowledge of the provisions of the *Industry Agents' Handbook*.

2. Each authorized agency location of the Agent shall have at least one full-time employee who has had, within the past three years, one year's full-time experience in airline ticketing.

C. General Qualification Requirements

1. The Agent shall be a citizen or national of the United States, or an alien authorized employment (see 8 C.F.R. Part 109), or a foreign corporation authorized to do business in the jurisdiction in which the location is situated.

2. Each authorized agency location shall be clearly identified as, and held out to the public to be, an office for the sale of air transportation or ancillary services on behalf of the air transportation industry.

3. The name of the Agent shall not be the same as, or misleadingly similar to, a carrier, and not be identified as an airline office.

4. Each authorized agency location shall be open and freely accessible to the public so that access to the authorized agency location is unimpeded and unhampered, and it can be reached without hindrance or restraint, and it is open to all comers.

5. The office, department, or space which the Agent purports to be the authorized agency location is engaged primarily in the retail sale of passenger transportation.

D. Other Requirements

1. The Agent is ineligible for retention on the agency list where investigation reveals that:
 - a. There was a material misrepresentation or inaccuracy in any application of the Agent for inclusion on the agency list*, or for changes to its status or listing thereon, or in any attachments thereto;
 - b. Any person who is involved in the day-to-day operations of the agency and has access to monies from the sale of traffic documents, is not a citizen, or national of the U.S., or an alien authorized employment in the U.S.; or
 - c. The Agent's authorized agency location does not have the requisite licenses of the jurisdiction in which located.
2. The Agent is ineligible for retention on the agency list if ARC has reason to believe that the Agent, or any person holding a financial or ownership interest in the Agent, or any officer, director, qualifying manager, or any person employed by it in a capacity in which that person has access to ARC traffic documents or money held by the Agent in payment therefor:
 - a. Has or had a financial interest in, or a connection or affiliation with, or was employed by, any agent previously canceled from the agency list*; or
 - b. Has or had a financial interest in, or a connection or affiliation with, or was employed by, any agent presently declared in default under the provisions of section VIII of the agent reporting agreement*; or
 - c. Has been convicted of a felony, or a misdemeanor related to financial activities, or has been found by a court of competent jurisdiction to have committed a breach of fiduciary duty involving the use of funds of others, unless, based upon investigation, experience of the carriers with such person(s), where applicable, and all information and facts available, it is determined by ARC that the Agent can be relied on to adhere to the terms of this agreement. If the conduct invoking this provision occurred more than seven years prior to the filing of a complaint with the Arbitrator, there shall be a rebuttable presumption the Agent can be relied upon to adhere to the terms of this agreement.

- * For the purposes of this subsection, references to the ARC agency list and the Agent Reporting Agreement include, in addition, the agency list and the Passenger Sales Agency Agreement, and its predecessor Sales Agency Agreement, of the Air Traffic Conference of America.

SECTION V: APPOINTMENT OF AGENT BY CARRIER

A carrier may issue an appointment to the Agent permitting the Agent to issue ARC traffic documents on behalf of the carrier in one of two ways:

- A. The Agent shall be automatically appointed by any carrier which has, or hereafter may, deposit with ARC a general concurrence for the appointment of all agents on the ARC agency list. From time to time ARC will publish a list of all carriers which have deposited such a general concurrence.
- B. Any carrier which has not deposited with ARC the general concurrence for the appointment of all agents on the ARC agency list may appoint the Agent by delivering to the Agent a written certificate of appointment.

SECTION VI: CHANGE OF NAME OR LOCATION

A. Procedures To Change Name

The Agent must provide thirty (30) days written advance notice to ARC to change its name and names as set forth in this agreement, under which its activities must be conducted. Within the thirty (30) day period, ARC shall ascertain whether the proposed name violates this agreement. If approved, ARC shall correct the agency list, notify all carriers and the system providers, and, unless the change relates only to a branch location, execute an amendment to the memorandum of agreement reflecting the change. If the proposed change is disapproved, ARC shall notify the carriers and the system providers and also advise the Agent with specific reasons, and the Agent may obtain review of that decision by the Arbitrator, in accordance with section XXIII of this agreement. Whenever the legal name of the Agent is changed, the Agent must provide to ARC a bond or letter of credit, in the correct amount and form prescribed by ARC, which includes the Agent's new legal name.

B. Procedures To Change Location

The Agent must provide written advance notice to ARC to change its business location, accompanied by a full description in the form prescribed by ARC. If the new location is qualified under the standards set forth in section IV.C hereof, it shall be approved and ARC shall correct the agency list and notify all carriers and the

system providers. If the location fails to qualify, ARC shall disapprove the change and notify the carriers and the system providers, and so advise the Agent with specific reasons. ARC shall advise the Agent of its approval or disapproval within forty-five (45) days of the receipt of the written notice from the Agent. The Agent may obtain review of that decision by the Arbiter, in accordance with section XXIII of this agreement. The Agent may, nevertheless, change the location pending the Arbiter's decision. If the Agent does not request such review and, further, fails to relocate to its former authorized agency location within 30 days from ARC's notice of disapproval, ARC may file a complaint against the Agent.

SECTION VII: AGENT'S AUTHORITY, GENERAL RIGHTS AND OBLIGATIONS

- A. The Agent shall at all times maintain ethical standards of business in the conduct of the agency and in its dealing with its clients, the public and the carrier.
- B. The Agent shall designate a bank account for the benefit of ARC and the carrier for deposit of (1) the proceeds of the sales of air transportation and ancillary services for which ARC traffic documents were issued, and (2) such funds as may be required to pay any other amount which ARC is authorized to draft from the account. The Agent recognizes that the proceeds of the sales, less the Agent's commissions, on these ARC traffic documents are the property of the carrier and shall be held in trust until accounted for to the carrier.
- C. In selecting the airline identification plate to be used in validating ARC traffic documents, or in the identification of the ticketing carrier, the Agent will follow the procedures specified in attachment F, hereto.
- D. The provisions of section VII.C above notwithstanding, no agent shall use an airline identification plate of one carrier, or identify a carrier on an ARC traffic document as the ticketing carrier, in connection with the sale of air transportation offered solely by another carrier which has notified the Agent and ARC that the Agent shall not represent that carrier.
- E. In exercising its authority under this agreement, the Agent shall issue only ARC traffic documents supplied pursuant to, or authorized by, this agreement.
- F. The Agent shall deliver to its clients the proper forms of ARC traffic documents and/or supporting documentation as authorized from time to time by the carrier. The information shown on any such documents shall be in accordance with the applicable rules, regulations and

instructions furnished to the Agent by ARC by specific instruction or in the *Industry Agents' Handbook*, and by the carrier.

- G. The Agent shall comply with all instructions consistent with this agreement properly issued to him by ARC in the *Industry Agents' Handbook* and other specific instructions consistent with this agreement provided from time to time by ARC.
- H. The Agent shall comply with all instructions of the carrier, and shall make no representation not previously authorized by the carrier. The Agent shall deliver to the carrier such specific instructions, requests, or particulars in connection with a client or his transportation as may be proper to enable the carrier to render efficient service to its passengers.
- I. The Agent shall not knowingly or negligently sell or issue ARC traffic documents covering air passenger transportation to be offered by the carrier to persons who plan to sell, issue, or offer to sell or issue, such ARC traffic documents, but who have not been authorized by the carrier to represent the carrier.
- J. The Agent is not authorized by this agreement to admit, accept or receive service of summons or any other process on behalf of the carrier or ARC.
- K. In the absence of specific permission of the carrier, the Agent shall not use any credit card which is issued in the name of the Agent, or in the name of any of the Agent's personnel, or in the name of any third party, for the purchase of air transportation for sale or resale to other persons, nor report to the carrier the sale of any air transportation as a credit card transaction where at any time the Agent bills, invoices, or receives payment in cash from the customer for such air transportation.
- L. The Agent shall identify any sales to itself and/or such other persons which control, are controlled by, or are under common control with, the Agent, or with the officers, directors, stockholders, members, or employees of the Agent and/or such other persons, in accordance with the provisions of the *Industry Agents' Handbook*.

SECTION VIII: REPORTS AND SETTLEMENTS, DEFAULTS AND OTHER FINANCIAL IRREGULARITIES UNDER ASP

A. Reports and Settlements-General

- 1. The Agent shall make appropriate arrangements to permit the area bank to draw checks upon its bank account designated pursuant to section VII.B. of this agreement in payment for amounts owed hereunder.

The Agent shall give ARC advance notice by certified mail of its intention to change bank accounts. Such notice must be received at least one week prior to the beginning of the affected sales period, and will state the first sales period ending date to which it applies.

2. The Agent shall submit a weekly sales report containing the auditor's coupon (applicable to both paper and electronic format) of all ARC traffic documents, and other supporting documents issued and validated during the 7-day period Monday through Sunday. The weekly sales report shall be submitted to the designated area bank in the form prescribed. With each report, the Agent shall submit a settlement authorization form reflecting the maximum amount to be drawn from the Agent's account.

If no air transportation or ancillary services have been sold during the 7-day period, the Agent shall submit to the area bank a weekly sales report reflecting "no sales."

3. The weekly sales report, with auditor's coupons and other supporting documents, or advice of "no sales," shall be mailed by First Class mail postage prepaid, or by Express Mail, or delivered to the designated area bank, not later than Tuesday following the close of the report period or by Wednesday if Monday or Tuesday is a Federal or state legal holiday, Rosh Hashanah or Yom Kippur.
4. The area bank will, based upon documents submitted by the Agent, determine the amount owed the carriers for the sales period, and will draw a check for such amount on the Agent's account. The check will not be in excess of the settlement authorization amount provided by the Agent, or be presented for payment earlier than the tenth day after the close of the sales period.

The area bank will mail to the Agent a weekly summary showing all transactions, and the amount of the check drawn, no later than the tenth day after the close of the sales period. Settlement of amounts owing will be made in official United States currency.

5. All monies and credit card billing documents, less applicable commission, collected by the Agent for sales hereunder are property of the carriers, and shall be held in trust by the Agent until satisfactorily accounted for to the carriers.

B. Exceptions To Reports and Settlements if Agent Has Ten or More Locations

An agent having 1) ten or more authorized locations, or 2) a wholly owned subsidiary with ten or more such

locations, or 3) a combination of authorized locations (branch offices) of a wholly owned subsidiary totaling ten or more, may apply for an exception to the provision of section VIII.A.3 above requiring that the sales report and supporting documents be mailed not later than the Tuesday of each week.

The exception will be granted to any agent having the requisite number of locations, which agrees to process each of its weekly sales reports at its central accounting office and submit them together to one designated area bank. An agent wishing such exception must first execute with ARC a supplementary agreement which, based upon the specific circumstances, authorizes the multi-reporting Agent to cause its weekly reports to be received at the area bank by noon on Thursday or Friday of each week. The exception does not affect the schedule for settlement.

C. Other Settlement Arrangements Not Prohibited

1. Nothing contained in this agreement shall preclude an agent from proposing to a carrier which is a party to the Carrier Services Agreement, (a) that, for transactions in which the agent has issued and validated ARC traffic documents, it settle its account pursuant to a variable remittance plan, or (b) that the agent utilize the carrier's traffic documents. If such a proposal is made, the carrier shall consider the agent's proposal in good faith; however, a carrier's refusal to enter into such an arrangement shall not, in and of itself, constitute evidence of bad faith.
2. An agent shall not, without prior written consent by the carrier concerned, submit a settlement of ARC traffic documents pursuant to a variable remittance plan.

D. Financial and Reporting Irregularities

1. This subsection governs payment of amounts due in the event of a dishonored check or failure to file a complete weekly sales report. It does not govern any amounts settled under a variable remittance plan if either the payment is made directly to an individual carrier or ARC collects the amount expressly on behalf of an individual carrier by means of an individual draft. In determining such amounts, debit memos based on the following claims are not to be included: (i) any debit memo issued prior to the date on which the Agent fails or refuses to provide funds on demand to cover a dishonored check, or the amount owed on withheld sales, or a missing report, as required by, respectively, paragraphs D.1.a., D.1.b and D.1.c of this section, which has been reasonably contested by the Agent in writing within 60 days of the Agent's receipt of such debit memo; and (ii) any debit memo issued on or after the date of the Agent's failure or refusal, as

described above, for a transaction that occurred more than 60 days prior to such date; provided, however, that any debit memo issued for either an unreported sale or a fraudulently issued ARC traffic document, shall be includable in determining the amounts due the carriers under this agreement.

- a. ARC will immediately notify the Agent and its surety when a check drawn by the area bank has been dishonored by the Agent's bank. If the Agent does not immediately provide a certified check or wire funds to cover the dishonored check, ARC will (i) withdraw from the Agent, and from all agents under common control with the Agent, and all authorized agency locations under common control with the Agent, all ARC traffic documents (paper format) and airline identification plates, (ii) notify the system providers to inhibit the transmission of ticketing records for the printing of such onto ARC traffic documents (paper format) by such Agent, and (iii) prohibit the use of ARC traffic document numbers by system providers for the issuance of ARC traffic documents (electronic format) on behalf of such Agent, and so notify the carriers.

ARC traffic documents will be resupplied and airline identification plates will be returned, except the identification plate of the carrier which has expressly instructed ARC to the contrary, to the Agent and all authorized agency locations under common control with the Agent, and the system providers notified that the issuance of ARC traffic documents is authorized, unless the carrier has also taken action to terminate the Agent's appointment pursuant to section XXIX of this agreement, when all amounts owing the carriers under this agreement have been fully paid (including, but not limited to, all other checks drawn by the area bank and dishonored by the Agent's bank) unless there is an outstanding notice of cancellation of the Agent's bond.

A compensatory assessment shall be charged by ARC for each dishonored check for payment of sales reports to defray processing costs associated with the handling of dishonored checks, interest expense and special service costs described in section XI.H. This assessment will be calculated and charged by ARC based on a formula approved by the ARC Board of Directors. ARC shall notify the Agent as to the amount of the charge and the date on which payment will be due. The Agent hereby authorizes the area bank to collect the charge by issuing a draft against the bank account maintained pursuant to section VII.B of this agreement. Alternatively, the Agent shall make payment directly to ARC if required by the notice.

- b. ARC will notify the Agent if it has failed to include in its weekly sales report all ARC traffic documents issued through the close of the sales report period, as provided in subsection A.2 of this section. Unless the Agent immediately provides a certified check and supporting documents to cover the withheld sales, ARC will, where a clear and present danger of substantial loss is present, (i) withdraw from the Agent, and all authorized agency locations under common control with the Agent, all ARC traffic documents (paper format) and airline identification plates, (ii) notify the system providers to inhibit the transmission of ticketing records for the printing of such onto ARC traffic documents (paper format) by such Agents, and (iii) prohibit the use of ARC traffic document numbers by system providers for the issuance of ARC traffic documents (electronic format) on behalf of such Agent, and notify the carriers.

ARC traffic documents will be resupplied and airline identification plates will be returned, except the identification plate of any carrier which has instructed ARC to the contrary, to the Agent and all agents under common control with the Agent, and the system providers notified that the issuance of ARC traffic documents is authorized on behalf of all appointing carriers, unless the carrier has also taken action to terminate the Agent's appointment pursuant to section XXIX of this agreement, when all amounts owing the carriers under this agreement have been satisfactorily accounted for (including, but not limited to, payment of all checks drawn by the area bank and dishonored by the Agent's bank) unless there is an outstanding notice of cancellation of the Agent's bond.

A compensatory assessment shall be charged by ARC for unreported sales disclosed by an inspection pursuant to section XIV of this agreement, or otherwise disclosed, to defray costs associated with the processing and handling of the discovery and resolution of unreported sales, and special service costs described in section XI.H. This assessment will be calculated and charged by ARC based on a formula approved by the ARC Board of Directors. ARC shall notify the Agent as to the amount of the charge and the date on which payment will be due. The Agent hereby authorizes the area bank to collect the charge by issuing a draft against the bank account maintained pursuant to section VII.B of this agreement. Alternatively, the Agent shall make payment directly to ARC if required by the notice.



- c. If a weekly sales report together with auditor's coupons and supporting documents has not been received by the area bank within eight days after the close of the period, ARC will notify the Agent. Evidence of timely dispatch will be limited to:

- (1) A Post Office postmark; or
- (2) Other evidence supplied by the Post Office of the mailing date; or
- (3) Priority service air bill or any other documentation acceptable to ARC.

If the Agent has evidence of timely dispatch of the report, it shall, within 96 hours of notification by ARC, send copies of such evidence to ARC and promptly transmit to the area bank a duplicate report, a settlement authorization form, and facsimiles of the auditor's coupons and other supporting documents for the report. In all other circumstances, the Agent shall, within 96 hours of notification by ARC, provide the report, or a duplicate report, to the area bank with either the auditor's coupons and other supporting documents if available, or their facsimiles, and a certified check to cover the amount owed.

Unless the Agent complies with the above, ARC will (i) withdraw from the Agent, and all authorized agency locations under common control with the Agent, all ARC traffic documents (paper format) and airline identification plates, (ii) notify the system providers to inhibit the transmission of ticketing records for the printing of such onto ARC traffic documents (paper format) by such Agent, and (iii) prohibit the use of ARC traffic document numbers for the issuance of ARC traffic documents (electronic format) by the system providers on behalf of such Agent, and so notify the carriers.

ARC traffic documents will be resupplied and airline identification plates will be returned, except the identification plate of any carrier which has expressly instructed ARC to the contrary, to the Agent and authorized agency locations under common control with the Agent, and the system providers notified that the issuance of ARC traffic documents is authorized, unless the carrier has also taken action to terminate the Agent's appointment pursuant to section XXIX of this agreement, when the Agent has provided the report or duplicate report, and paid in full all amounts owed the carriers under this agreement (including, but not limited to, payment of all checks drawn by the area bank and dishonored by the Agent's bank) unless there is an outstanding notice of cancellation of the Agent's bond.

A compensatory assessment shall be charged by ARC for a missing report for which the Agent does not have evidence of timely dispatch to defray handling and processing costs attributable to missing reports and special service costs described in section XLH. This assessment will be calculated and charged by ARC based on a formula approved by the ARC Board of Directors. ARC shall notify the Agent as to the amount of the charge and the date on which payment will be due. The Agent hereby authorizes the area bank to collect the charge by issuing a draft against the bank account maintained pursuant to section VII.B of this agreement. Alternatively, the Agent shall make payment directly to ARC if required by the notice.

- d. If the Agent is unable to satisfy its debts to ARC arising from circumstances described in paragraphs D.1.a, b, and c of this section within the prescribed time:

- (1) The Agent and authorized agency locations and authorized agency locations under common control with the Agent may purchase prepaid special value tickets to be provided by ARC;
- (2) In lieu of the Agent and authorized agency locations under common control with the Agent surrendering its ARC traffic documents (paper format) and airline identification plates, the Agent may provide a separate bond to ARC applicable to ARC traffic documents (paper format) remaining in the Agent's possession, the amount of which is based on the average value of ARC traffic documents previously issued by the Agent times the number of documents to be retained. The Agent shall not be eligible to issue ARC traffic documents in electronic format.

- e. (1) If the Agent does not provide the required weekly sales reports and full payment therefor, or fails to make full payment of all amounts owed to the carrier (including, but not limited to, payment of all checks drawn by the area bank and dishonored by the agent's bank), on or before the 31st day after the date of ARC's written notice of a default based on a dishonored draft, unreported sale, or missing sales report, this agreement shall terminate automatically and without further notice, unless the Agent has surrendered all ARC traffic documents (paper format) and airlines identification plates and has ceased to issue ARC traffic documents in electronic format and, on or before such 31st day, has provided all missing sales reports and made a partial

payment in an amount deemed appropriate by ARC, and ARC has determined that the Agent could make full payment if the time were extended, in which case ARC may extend the time for the Agent to make full payment and avoid termination of this agreement. Upon termination of the agreement pursuant to this section, ARC shall notify the carriers and the system providers that the Agent's agreement has been terminated, and that the issuance of ARC traffic documents is prohibited.

- (2) The full amount to be paid within the 31-day period described above or any extension thereof shall include, but not be limited to, all amounts owed for dishonored checks, unreported sales, compensatory fees and missing reports, regardless of whether such amounts and/or reports have been specifically identified in the written notice.
- (3) In determining whether or not to extend the time for full payment, ARC will consider the following factors, among others: the cause of the dishonor, unreported sale, or missing report; the payment schedule proposed; the current financial condition of the Agent; and any proposed remedial action.
- (4) An extension of time on the terms provided in the foregoing paragraphs shall be available to all agents, regardless of size.
- (5) In conjunction with the extension of time provided in the foregoing paragraphs, the Agent may obtain authority from one or more of the carriers involved to convert the Agent's cash indebtedness to each such carrier into individually sponsored credit plans, thereby transferring the indebtedness from ARC to such carrier. Upon receipt of written notice from the carrier concerned, ARC will modify or withdraw the notice of termination, as appropriate.
- (6) Upon the Agent's compliance with the foregoing paragraphs, ARC shall resupply the Agent with traffic documents and the carriers may, in their individual discretion, supply or authorize ARC to return to the Agent the airline identification plates. In addition, ARC will notify all system providers that the Agent may issue ARC traffic documents, and the carriers may, in their individual discretion, notify the system providers, if action is to be taken pursuant to section XXIX.

f. Each Agent to whom notice of financial or reporting irregularity is sent pursuant to section VIII.D.1.a, b or c of this agreement shall cause to be executed and filed with ARC a "Personal Guarantee of Performance of Agent's Agreement" as set forth in section V, attachment C to the agreement. Such execution and filing shall be a condition precedent to an agent's right to use ARC traffic documents and airline identification plates in the sale of air transportation and/or ancillary services.

2. This subsection governs insufficient settlement authorization amounts.

- a. If the area bank determines that the amount specified by the Agent on the settlement authorization form is less than the amount owed the carriers, the area bank will bill the Agent for the difference. If the area bank bill remains unsatisfied fifteen days after the date on which it was sent, ARC will bill the Agent for the amount owed.
- b. If ARC's bill remains unsatisfied for fifteen days after the date on which it was sent, ARC shall take such action as it deems appropriate under the circumstances.

E. Payment of Carrier Debit Memos

1. If the Agent fails to pay a debit memo sent to it by a carrier or is otherwise in default to a carrier under this agreement, excluding liability for stolen ARC traffic documents or identification plates under section XI hereof, the carrier may:
 - a. Terminate its appointment of the Agent, by notice in writing to the Agent, with such notice taking effect on the date specified therein, and withdraw its airline identification plate; or
 - b. Withdraw from the Agent its airline identification plate; or
 - c. Forward any uncontested debit memo to the Central Collection Service according to the provisions of section XIX of this agreement.
2. If any carrier which has deposited a general concurrence for the appointment of all agents invokes paragraph E.1.a of this section, it may so notify ARC. Upon receipt of such notice, ARC will immediately notify all carriers and the system providers.

F. Failure To Maintain Proper Bond Or Letter of Credit

1. Upon cancellation of the Agent's bond or irrevocable bank letter of credit, ARC will immediately so notify all carriers and the Agent, and will (i) withdraw all ARC traffic documents (paper format) and airline identification plates supplied to the Agent, (ii) notify the system providers to inhibit the transmission of ticketing records for the printing of such onto ARC traffic documents (paper format) by such Agent, and (iii) prohibit the use of ARC traffic document numbers by system providers for the issuance of ARC traffic documents (electronic format) on behalf of such Agent provided, however, that as a temporary measure to avoid these events, the Agent may assign, in a form acceptable to ARC, a Certificate of Deposit in the amount required for a bond pursuant to section IV.A.1.a of this agreement. The effective date and acceptance by ARC of such assignment shall be no later than the date of cancellation of the bond or letter of credit and shall be accepted by ARC as a substitute for a period not to exceed thirty days from the date of the cancellation.

Unless the Agent provides to ARC a proper replacement bond or irrevocable bank letter of credit in the required form and amount, within 30 days after the cancellation, ARC will terminate this agreement. Upon termination of the agreement pursuant to this section, ARC shall notify the carriers and the system providers that the Agent's agreement has been terminated, and that the issuance of ARC traffic documents is prohibited.

2. If ARC determines that the Agent has failed to change the form, or adjust the amount of its bond or letter of credit as required by section IV.A.3 of this agreement, ARC may apply to the Arbiter for an emergency authorization to (i) remove ARC traffic documents (paper format) and the airline identification plates from the Agent, and (ii) notify the system providers to inhibit the transmission of ticketing records for the printing of such onto ARC traffic documents (paper format) by such Agent, and (iii) prohibit the use of ARC traffic document numbers by system providers for the issuance of ARC traffic documents (electronic format) on behalf of such Agent, and to so notify the carriers.

SECTION IX: ADDITIONAL OPERATING REQUIREMENTS

- A. The Agent shall be subject to the requirements of this section when, during any twelve month period,

1. three or more of the Agent's checks for weekly sales have been dishonored and ARC has not received immediate reimbursement for such upon demand by ARC; or

2. three or more of the Agent's weekly sales reports, including auditor's coupons and supporting documents, have not been provided to ARC within 96 hours of notice to the Agent from ARC but such are ultimately received, prior to the Agent's termination; or

3. the Agent has been declared in default pursuant to section VIII.D of this agreement (and the default includes a failure or refusal to surrender all ARC traffic documents (paper format) and airline identification plates) but such declaration is withdrawn prior to the Agent's termination.

- B. ARC will provide the Agent with 45 days advance written notice of the effectiveness of this section, which notice shall also be provided to the carriers. The notice will also inform the Agent that the following must be accomplished prior to the effective date of the section:

1. The Agent must provide a bond or letter of credit, in the required form and in an amount equal to or greater than its net cash remittances for a current 10 week period. The instrument may be a rider to the existing bond or letter of credit; will be calculated to take into account the amount of the existing bond or letter of credit; and, must conform in all other respects to the provisions of section IV.A.

2. a. The Agent must surrender traffic documents (paper format) to ARC, with an accompanying inventory summary, so that it retains no more than the highest number of ARC traffic documents issued at each of its locations during any one month in the past twelve months, rounded up to the next even 100. In order to insure the Agent's compliance with this section, ARC will inform the Agent, in the written notice required by this section, of the number of documents, by stock control number, that are permitted to be retained.

- b. The Agent may possess additional supplies of traffic documents (paper format only), but in no event more than a three month supply, only if it is able to post a bond or letter of credit as provided for in section VIII.D.1.d.(2).

3. The Agent must discontinue the issuance of ARC traffic documents in an electronic format and any and all use of Electronic Ticket Delivery Network(s).

4. Any pending application(s) for an additional approved location will be withdrawn by Agent, and ARC will reject and return to Agent any such application submitted while the Agent is subject to this section.

- C. If the Agent is not in compliance with the provisions of section IX.B. as of the effective date of this section, or at any time during the period of its effectiveness, ARC will terminate this agreement with the Agent and notify the

carriers and the system providers that the Agent's agreement has been terminated and that the issuance of ARC traffic documents is prohibited.

- D. 1. If, following the effectiveness of this section, and Agent's compliance with the provisions of section IX.B., there are no instances of dishonored drafts or missing reports within a twelve month period, the additional operating requirements of this section shall be removed, and the carriers shall be notified.
- 2. Alternatively, if there is an additional dishonored draft or missing report, ARC will file a complaint, pursuant to section XV.B., seeking the removal of the Agent from the agency list.
- E. The Agent may appeal ARC's determination that it is subject to this section to the Travel Agent Arbitrator. During the pendency of the appeal, which shall be given expedited consideration, the section will continue to apply to the Agent unless or until removed by the Travel Agent Arbitrator or the Agent's compliance with section IX.D.1.

SECTION X: REFUND OR EXCHANGE OF ARC TRAFFIC DOCUMENTS

- A. The agent may refund any fare or charge applicable to air transportation only if sold by the Agent hereunder and for which the Agent has issued an ARC traffic document. The Agent shall make refund only to the person authorized to receive the refund and in accordance with tariffs, rules, regulations, and instructions issued by the carrier.
- B. The Agent, without the authority of the ticketing carrier whose ARC traffic document is to be issued, shall not:
 - 1. Issue an ARC traffic document in exchange for any traffic document previously issued by another agent or by a carrier; or
 - 2. Issue an ARC traffic document in exchange for a traffic document previously issued by that Agent naming another carrier as the ticketing carrier.

SECTION XI: LIABILITY AND WAIVER OF CLAIM

- A. The carrier will indemnify and hold harmless the Agent, its officers, agents and employees from all responsibility and liability for any damage, expense, or loss to any person or thing caused by or arising from any negligent act, omission or misrepresentation of the carrier, its representatives, agents, employees, or servants, relating directly or indirectly to the performance of the duties and obligations of the carrier under this agreement.

- B. The Agent will indemnify and hold harmless the carrier, its officers, agents, and employees from all responsibility and liability for any damage, expense, or loss to any person or thing caused by or arising from any negligent act, omission, or misrepresentation of the Agent, its representatives, agents, employees, or servants relating directly or indirectly to the performance of the duties and obligations of the Agent under this agreement.
- C. Unless the Agent is relieved of liability pursuant to this section, the proceeds of the Agent's bond or letter of credit will be applied to, and the Agent will indemnify and hold harmless the carrier, its officers, agents and employees, from any and all damage, expense, or loss, on account of the loss, misapplication, theft, forgery or unlawful use of ARC traffic documents, ARC-issued numbers or other supplies furnished by or on behalf of the carrier to the Agent. The Agent shall be relieved of liability for losses arising from the proven theft or unlawful use, except by the Agent or his employees, of ARC traffic documents, ARC-issued numbers or identification plates from his premises upon a determination by ARC that the Agent, at the time of theft or unlawful use, exercised reasonable care for the protection of such ARC traffic documents, ARC-issued numbers or airline identification plates, and has, upon discovery, immediately reported the theft or unlawful use to the appropriate law enforcement authorities and has promptly notified ARC of the particulars of such theft or unlawful use both by telephone and telegram. Reasonable care, as used herein, shall include but not be limited to compliance with the safeguards set forth in attachment B to this agreement. In making the determination specified herein, ARC may rely on the findings of the ARC Field Investigations and Fraud Prevention office or cooperating security officers of carriers. However, if ARC has filed a complaint with the Arbitrator alleging the Agent failed to comply with the safeguards set forth in attachment B of this agreement, ARC shall rely on the finding of the Arbitrator in determining whether or not reasonable care was exercised by the Agent. If ARC determines that the Agent did not exercise reasonable care, ARC shall inform the Agent of the specific details and exact manner in which the Agent failed to exercise reasonable care. The Agent may appeal ARC's determination to the Arbitrator pursuant to section XXIII.

- D. The Agent hereby expressly waives any and all claims, causes of action, or rights to recovery based upon libel, slander, or defamation of character by reason of publication of asserted grounds or reasons for removal from the agency list or such other action which may have been prescribed, or of alleged violations or other charges for which review of the Agent's eligibility is requested, as is reasonably related to the performance of appropriate functions specified for ARC, its officers and employees.

or the Director of Field Investigations and Fraud Prevention or the Arbitrator in the performance of their duties under this agreement.

- E. If ARC uses legal counsel to (i) enforce its right to possession of ARC traffic documents (paper format) and airline identification plates, because the Agent failed or refused to surrender them upon demand made pursuant to this agreement, and/or (ii) to otherwise obtain compliance by the Agent with the provisions of this section, the Agent shall reimburse ARC for all costs incurred by it, and for the reasonable fees of its attorneys, if its action is adjudicated or otherwise resolved in its favor. If its action is adjudicated or otherwise resolved in favor of the Agent, ARC shall reimburse the Agent for all costs incurred by it, and for the reasonable fees of its attorneys, in defending itself against ARC's action. The term "costs" as used herein shall include, but not be limited to, court costs, litigation bond premiums, private investigator fees incurred in attempting to locate traffic documents, and locksmith fees.
- F. If ARC uses legal counsel to enforce its right to inspect the Agent's books and records, because the Agent failed or refused to permit an inspection upon demand made pursuant to this agreement, the Agent shall reimburse ARC for all costs incurred by it, and for the reasonable fees of its attorneys, if its demand is adjudicated or otherwise resolved in its favor. If its demand is adjudicated or otherwise resolved in favor of the Agent, ARC shall reimburse the Agent for all costs incurred by it, and for the reasonable fees of its attorneys, in defending itself against ARC's demand. The term "costs" as used herein shall include, but not be limited to, court costs and litigation bond premiums.
- G. The Agent hereby agrees to indemnify and hold the carrier harmless from and against any claim arising from the failure of the Agent to refund to the authorized refund payee the proper amount of fare or other charges collected.
- H. The Agent hereby agrees that whenever an ARC representative must go to an agency or other location to remove ARC traffic documents (paper format only), collect funds due hereunder, etc., the Agent will pay the out-of-pocket special service costs incurred by ARC in conjunction with such action.

SECTION XII: DELIVERY AND WITHDRAWAL OF TRAFFIC DOCUMENTS AND IDENTIFICATION PLATES

- A. The Agent shall procure, at no expense to ARC, one or more validator machine(s), or ticket writer(s), of a type approved by ARC for use at each place of business covered by this agreement in the issuance of ARC traffic documents (paper format).

B. ARC will supply the Agent with ARC traffic documents (paper format) for issuance to the Agent's clients to cover transportation and ancillary services purchased, and one or more agent identification plates which the Agent will purchase from ARC. Shipping and handling costs or ARC traffic document (paper format) requisitions submitted by the Agent, will be paid by the Agent as prescribed from time to time by ARC.

C. After receipt of notice from ARC that an agency location has been included on the agency list, any carrier may deliver to such Agent airline identification plates for use at an authorized agency location in the issuance of ARC traffic documents (paper format) in a validator machine or ticket writer, and such identification plates shall not be used at any other place of business. Such airline identification plates shall remain the property of the carrier, and shall be returned to it upon demand or upon the termination of this agreement as between the Agent and carrier.

D. All ARC traffic documents (including ARC-issued numbers used in an electronic format) supplied to the Agent shall be held in trust for ARC by the Agent until issued to the Agent's clients to cover transportation or ancillary services purchased, or until otherwise satisfactorily accounted for to ARC or the carrier, and shall be surrendered upon demand, together with all airline identification plates, to ARC pursuant to this agreement.

E. ARC traffic documents (including ARC-issued numbers used in an electronic format) supplied for issuance at a specified place of business covered by this agreement shall not be written up or validated at any other place of business. ARC traffic documents (paper format) shall not be delivered to customers at or through any other agency location outside the United States, or customer-premise location.

F. The Agent shall not accept custody of, or deliver, blank prevalidated, or partially written ARC traffic document (including ARC-issued numbers used in an electronic format) not previously assigned to it under this agreement. Should the Agent be approached by another agent to distribute blank, prevalidated, or partially written, ARC traffic documents (paper format), or to distribute ARC traffic documents not provided to it through the system provider (electronic format), the Agent shall notify the ARC Director, Field Investigations and Fraud Prevention.

SECTION XIII: CUSTODY AND SECURITY OF TRAFFIC DOCUMENTS AND IDENTIFICATION PLATES

During its custody and control of ARC traffic documents, ARC-issued numbers and airline identification plates, the

Agent shall comply with the security rules for such as specified in attachment B of this agreement.

SECTION XIV: INSPECTION AND RETENTION OF AGENT RECORDS

- A. The Agent shall retain his duplicate copy of each sales report and his copies of supporting documents, as well as the weekly sales summary and his copies of voided ARC traffic documents, for at least two years from the date the sales report was due to be submitted to the area bank.
- B. The Agent recognizes and agrees that ARC and its designees, are authorized to represent ARC and the carriers for purposes of inspecting the books and records of the Agent pursuant to this agreement. In making such inspections, they may seek to determine whether the Agent is in full compliance with the provisions of the agreement. Books and records shall be opened for such inspection upon reasonable notice and the authorized representatives shall have authority to make such notes and copies as they deem appropriate.
- C. The Agent will be apprised of the purpose or occasion for such examination, and will be obligated to provide only those documents material and relevant to the examination, that are requested by the authorized representative. ARC shall, upon written request by the Agent, provide a copy of any written report prepared by the ARC representative who has completed an inspection of the books and records of such Agent.
- D. A carrier may examine the Agent's records with respect
 - to ARC traffic documents issued by the Agent on behalf of such carrier at any time.

SECTION XV: REVIEWS OF QUALIFICATIONS OF AND BREACHES BY AGENT

- A. In situations such as the following, in which it appears to ARC that there may be or has been fraudulent conduct on the part of the Agent and that there is a clear and present danger of substantial loss to ARC and/or the carriers, ARC may (i) immediately remove its traffic documents (paper format only) and all airline identification plates from the Agent, and so notify the carriers, (ii) notify the system providers to inhibit the transmission of ticketing records for the printing of such onto ARC traffic documents (paper format) by such Agent, and (iii) prohibit the use of ARC traffic document numbers for the issuance of ARC traffic documents (electronic format) by system providers on behalf of such Agent and all agents under common control with the Agent:
 1. Failure to include in a report the auditor's coupon (paper or electronic format) of all ARC traffic

documents issued through the close of the sales report period, even though payment was subsequently made upon demand;

2. Issuance of ARC traffic documents against a credit card without the cardholder's authority, or against a stolen or otherwise fraudulent credit card;
3. Post-validation of ARC traffic documents; alteration of the issuance date on ARC traffic documents; or consistent or extensive reporting of sales in which ARC traffic documents have been issued out of numerical sequence;
4. Failure to account for missing ARC traffic documents or for flight, exchange, or service coupons thereof;
5. Permitting blank, prevalidated, or partially written ARC traffic documents (paper format), or ARC-issued numbers (electronic format) to be removed from the authorized agency location for issuance elsewhere;
6. Permitting alteration, omission, or other falsification on coupons of original ARC traffic documents or on any reissue thereof;
7. Falsification of reports, traffic documents, or other documents;
8. Acceptance of custody of, or delivering, blank, prevalidated, or partially written ARC traffic documents (paper format) or ARC-issued numbers (electronic format) not previously assigned to it under this agreement;
9. Distribution, sale or issuance of ARC traffic documents (paper format) or ARC-issued numbers (electronic format) which the Agent knew, or reasonably should have known, were stolen or reported as missing; or
10. Reporting cash refunds against sales made on credit cards.
11. Permitting the unlawful or unauthorized access or use of an airline or system provider computer reservations system owned, leased or controlled by it in connection with the issuance of ARC traffic documents.

The Agent shall thereupon have the right of appeal to the Arbiter on an expedited basis pursuant to procedures established by the Arbiter. If an appeal is not taken within 10 days after ARC's demand for ARC traffic documents and airline identification plates, the Agent's agreement will be terminated by ARC without further notice. Upon termination of the agreement pursuant to this section, ARC shall notify the carriers and the system providers that the Agreement has



been terminated and that the issuance of ARC traffic documents is prohibited.

- B. If there is reason to believe that the Agent has breached a provision of this agreement, ARC may file a complaint against the Agent with the Arbitrator.
- C. If the Arbitrator so directs, ARC shall remove from the agency list the Agent or any branch location. After the Agent has been removed from the agency list, ARC shall terminate the agreement with the Agent on behalf of all carriers. Upon termination of the agreement pursuant to this section, ARC shall notify the carriers and the system providers that the agreement has been terminated and that the issuance of ARC traffic documents is prohibited.

SECTION XVI: ANNUAL AND APPLICATION FEES

- A. For each calendar year the Agent agrees to pay an annual administrative fee to ARC for each of its authorized agency locations to defray a portion of the costs associated with the operation of the ARC program as well as half of the costs associated with the operation of the Travel Agent Arbitrator Program, Inc. The amount of such annual fee will be determined by the ARC Board of Directors, and ARC will notify the Agent of the amount of the fee for the next ensuing year before the end of the previous calendar year.
 - 1. This fee will be collected by an area bank which will draw a separate check against the designated account of each authorized agency location with the second sales report period ending in January for the current calendar year.
 - 2. If the separate check for the annual fee is not paid, and the amount remains unpaid 14 days thereafter, the Agent or authorized agency location involved will be removed from the agency list. Thereafter, ARC shall terminate the agreement and withdraw from the Agent all ARC traffic documents and airline identification plates and so notify the carriers. ARC shall also notify the carriers and the system providers that the agreement has been terminated and that the issuance of ARC traffic documents is prohibited.
 - 3. For an authorized agency location added to the agency list during a calendar year, the annual fee, will be included with the application fee.
- B. An application filed by the Agent under this agreement to change its name, location, or ownership shall include therewith a fee as prescribed from time to time by ARC. The amount of such fee shall relate to the administrative expenses in processing the application and expenses incurred in updating the database.

SECTION XVII: SPECIAL LOCATION EXEMPTIONS

- A. An authorized agency location that is located on the premises of a customer of the Agent and that issues ARC traffic documents primarily to that customer or its employees, may, upon request by the Agent, be classified as a customer-premises location. A customer-premises location must meet all the requirements provided in this agreement, including the qualifications in section IV for retention on the agency list, except that:
 - 1. The person meeting the personnel standards of section IV.B.2 may be an employee of either the Agent or the customer; and
 - 2. The location need not meet the requirements of sections IV.C.2, 4, and 5; and
 - 3. If the location is a branch location, it need not meet the requirements of section IV.B.1.
- B. An authorized agency location that is not open and freely accessible to the public may, upon request by the Agent, be classified as a restricted-access location. A restricted-access location must meet all the requirements provided in this agreement, including the qualifications in section IV for retention on the agency list, except for the requirements provided in sections IV.C.2, 4, and 5.
- C.
 - 1. An Agent who wishes to have an authorized agency location classified as a customer-premises or restricted-access location, or who wishes to have an existing classification terminated, shall submit to ARC a written request for such action. If the request is to obtain a new classification, it shall set forth facts sufficient to show that the location is entitled to the classification requested in accordance with the qualifications set forth in subsection A or B above. If the request is to terminate an existing classification, it shall set forth facts sufficient to show that the location meets the qualifications in section IV for retention on the agency list from which the location was exempted by virtue of its current classification.
 - 2. ARC shall promptly review any such request and notify the Agent whether the request is granted or denied. If the request is denied, the notification to the Agent shall include a statement of the reasons therefor. The Agent may obtain review of the denial, in accordance with section XXIII of this agreement.
- D. An agency location may, upon request by the Agent, be classified as an on-site location if it meets the following conditions:
 - 1. The location is on the premises of a single client of the Agent for the primary purpose of providing travel services to that client; it is not intended to serve the general public;

[Official Commentary: It is ARC's intent that the Agent primarily serve one client's business needs at this location (for example, one corporate client or one government client), but not be precluded from providing that client's employees with leisure travel counseling and ticketing or from serving other business clients.]

2. The location complies with all requirements for a branch application, except as otherwise noted, although it need not comply with section IV.B.1, section IV.C.5, or section X.A of Attachment B; and

[Official Commentary: ARC envisions that a cubicle may be the actual on-site location, and recognizes such a location cannot be locked.]

3. The location is or will be staffed by a person meeting the personnel standards of section IV.B.2 (but that person may be employed by either the Agent or the client of the Agent);
4. The location is not identified or advertised to the public as, or held out to the public to be, an office for the sale of air transportation or ancillary services on behalf of the air transportation industry. However, signage, identifying the on-site branch location within the premises occupied by the Agent's client, is permitted;
5. The Agent assumes full and absolute liability for any and all damage, expense, or loss experienced by any carrier, its officers, agents or employees on account of the loss, misapplication, theft or forgery of ARC traffic documents assigned to the location;

SECTION XVIII: NOTICES

Any notice which this agreement explicitly requires to be given in writing shall be sufficient if sent by prepaid telegram, mailgram, mail, or any government licensed delivery service which service provides a shipping receipt, airbill, or documentation of delivery, addressed as the Agent or ARC (as appropriate) shall have designated in writing during the term of this agreement.

The date of such notice, for the purpose of making calculations with regard thereto, shall be the date such notice was mailed, telegraphed, or placed in the hand of a government licensed delivery service for delivery.

SECTION XIX: CENTRAL COLLECTION SERVICE

In order to expedite the flow and payment of (1) debit memos issued by a carrier against the Agent, and (2) credit request memos issued by the Agent against a carrier, and to provide a uniform manner of processing such items should the Agent or carrier fail to act upon direct submissions to

them within a reasonable time, the Agent and carriers may issue credit request memos and debit memos, respectively, which may be submitted to the Central Collection Service, under the terms and conditions set forth in attachment D, hereto.

SECTION XX: TRANSFER OR ASSIGNMENT OF AGREEMENT, DEATHS AFFECTING OWNERSHIP, ABANDONMENT OF AUTHORIZED AGENCY LOCATION, TEMPORARY CLOSURE

A. Change of Ownership

1. This agreement may not be assigned or transferred by the Agent without the approval of ARC. Moreover, if 30 percent or more of the shares of stock, cumulative, of the Agent have been sold or otherwise transferred (unless such Agent is an entity whose shares are listed on a securities exchange or are regularly traded in an over-the-counter market), ARC approval, for purposes of retention on the ARC agency list, must be obtained.
2. Procedures for approval of changes of ownership are set forth in attachment G hereof. Upon receipt of a complete application for approval of a change of ownership, ARC shall notify the carriers and the system providers. Carriers and system providers will also be notified when such application is approved.
3. Possession of ARC traffic documents (paper format) by a new owner as well as access to such in an electronic format prior to ARC approval will be subject to appropriate action by ARC.
4. If ARC determines that this agreement has been assigned or transferred, or that ownership of a branch location covered by this agreement has been assigned or transferred or that 30 percent or more of the stock in the agency entity has been sold or otherwise transferred and that ARC approval for purposes of retention on the ARC agency list has not been given, ARC may take appropriate action consistent with section XXIII of this agreement.
5. In the event a transfer or assignment of ownership interest occurs without ARC approval with respect to a branch location, the procedures set forth in paragraph 4 above shall only apply to the agency location affected by the change.

B. Disapproval of Change of Ownership

If ARC disapproves an application for a change of ownership, the carriers and the system providers shall be notified. The applicant may obtain a review of the disapproval by the Arbiter, in accordance with section XXIII of this agreement.

The carriers and system providers shall also be notified when an application for approval of change of ownership is withdrawn and/or returned to the applicant.

C. Death of a Sole Proprietor

1. On receipt of information of the death of the sole proprietor of the Agent, ARC shall notify all carriers, and may (i) withdraw all ARC traffic documents (paper format) and airline identification plates supplied to such Agent, and (ii) notify the system providers to inhibit the transmission of ticketing records for the printing of such onto ARC traffic documents (paper format) by such Agent, and (iii) prohibit the use of ARC traffic document numbers by system providers for the issuance of ARC traffic documents (electronic format) on behalf of such Agent. In order to preserve the goodwill of the agency as far as possible, ARC may, at the request of the person entitled to represent the deceased's estate, enter into a temporary agreement with such person acting on behalf of the estate provided that such person submits a proper bond or letter of credit in the name of the estate. The temporary agreement shall be in the same form and have the same effect as this agreement. ARC shall examine the matter periodically, and, if it considers that conditions so warrant, shall direct that the temporary agreement be terminated. ARC shall notify all carriers and the agency accordingly, and may take appropriate action consistent with section XXIII of this agreement. Upon termination of the temporary agreement, ARC shall so notify the carriers and the system providers that the issuance of ARC traffic documents, whether in paper or electronic format, is prohibited.
2. If the person entitled to represent the estate proposes to transfer the temporary agreement to an heir, legatee, or other person, such transfer shall be deemed a change of ownership, and the procedures of attachment G shall apply.
3. Subject to earlier termination under the provision set forth above, a temporary agreement shall terminate if the representative of the estate ceases to carry on the agency business at the location covered by such agreement.

D. Death of a Partner

1. In the event of a death of a member of a partnership or other unincorporated firm, ARC will notify all carriers, and may (i) withdraw all ARC traffic documents (paper format) and airline identification plates supplied to such Agent and (ii) notify the system providers to inhibit the transmission of ticketing records for the printing of such onto ARC traffic documents (paper format) by such Agent, and

(iii) prohibit the use of ARC traffic document numbers by system providers for the issuance of ARC traffic documents (electronic format) on behalf of such Agent. In order to preserve the goodwill of the agency as much as possible, ARC may enter into a temporary agreement with the representative of the deceased's estate and/or remaining partner(s), provided such person(s) presents a proper bond or letter of credit as provided herein. The temporary agreement may be extended by ARC for good cause shown. The temporary agreement shall be in the same form and have the same terms and conditions as this agreement.

2. If the person(s) with whom the temporary agreement is executed proposes to become the new owner(s), or proposes to transfer the agreement to another person, such transfer shall be deemed a change of ownership and the procedures of attachment G shall apply.
3. Subject to earlier termination under the provision set forth above, a temporary agreement shall terminate if the person(s) with whom the temporary agreement is executed ceases to carry on the agency business at the location covered by such agreement.

E. Abandonment of Authorized Agency Location

1. If ARC has cause to believe that the Agent has failed to keep its authorized agency location open and freely accessible to the public in accordance with section IV.C.4 (except as provided in section XVII of this agreement) and/or the Agent has moved its agency location without prior written notice to ARC (in accordance with section VI.B of this agreement), ARC will notify the agent in writing of such breach or breaches. Such notice shall be sent to the address which the Agent shall have designated in writing during the term of this Agreement, by a delivery service which provides a shipping receipt, airbill, or documentation of delivery. If ARC does not receive a written response to such notice on or before the 15th day from the date of such notice, this agreement shall terminate automatically and without further notice, effective the 16th day from the date of such notice. ARC shall notify the carriers and the system providers that the Agreement has been terminated and that the issuance of ARC traffic documents is prohibited.

- a. ARC shall have cause to believe that the Agent has closed, abandoned, or changed its authorized agency location without notifying ARC, for the purposes of this section, based on any reliable indicia of abandonment, closure, or changed location, including, but not limited to, the following: (1) the disconnection of the telephone number of the Agent's authorized location with no indication that the number has been changed or the telephone line

has been damaged or is being serviced; (2) an ARC representative's observations upon visiting the Agent's authorized location, e.g., location is empty or non-existent, no forwarding address; or, (3) two or more returned letters or written notices sent by ARC to Agent's address of record.

F. Temporary Closure

1. In the event of a situation beyond the Agent's control, e.g., fire, flood, illness, ARC may, upon written request by the Agent, permit the Agent to temporarily close its authorized agency location(s), for a period not to exceed 30 days. The Agent's request must be made within 10 days of the closure of the agency location. If circumstances warrant, ARC may approve a request for temporary closure which exceeds 30 days. All requests for temporary closure must be in the form prescribed by ARC and approved by ARC in writing. ARC's approval shall state the temporary closure time period. ARC shall not unreasonably deny any request for temporary closure of an authorized agency location, and the Agent may request the Travel Agent Arbiter to review any such denial.
2. The Agent's bond or letter of credit shall remain in full force and effect. Agent shall, in accordance with section VIII of this agreement, continue to submit weekly sales reports reflecting "no sales" when the agency location is temporarily closed unless ARC has removed all ARC traffic documents and carrier identification plates from the Agent during the period of closure, and notified the carriers and system providers that issuance of ARC traffic documents is prohibited.
3. ARC shall notify the carriers and the system providers of the temporary closure of the Agent's authorized location(s), directing that the system providers inhibit the transmission of ticketing records for the printing of such onto ARC traffic documents (paper format) by such Agents, and prohibiting the use of ARC traffic document numbers by system providers for the issuance of ARC traffic documents (electronic format) on behalf of such Agent. When the location(s) are reopened, the carriers and the system providers shall be notified.
4. If the agent fails to reopen within the time period approved by ARC, the agreement with the closed location(s) will be terminated, following 10 days advance notice to the Agent, and ARC shall notify the carriers and the system providers, accordingly.

SECTION XXI: REDUCED RATE TRANSPORTATION FOR AGENT

The provision of free or reduced rate transportation by a carrier to the Agent and its employees shall be in accordance with such terms, rules and regulations as the carrier shall establish.

SECTION XXII: REMUNERATION OF AGENTS

The remuneration paid the Agent for the sale of air transportation shall be that established by the carrier, or shall be such as may be mutually agreed between the carrier and the Agent, and is not provided herein.

SECTION XXIII: TRAVEL AGENT ARBITER

Disputes between the Agent and ARC shall be resolved by the Arbiter in accordance with the rules and procedures promulgated and published by the Arbiter and the decision of the Arbiter shall be final and binding; provided, however, that neither the Agent nor ARC is precluded from seeking judicial relief to enforce a decision of the Arbiter, or to compel compliance with a requirement or prohibition of this agreement prior to the filing of an answer in a proceeding concerning such requirement or prohibition before the Arbiter.

SECTION XXIV: INTERPRETIVE OPINION PROCEDURES

- A. The Agent may, by written submission, request from ARC an opinion of the interpretation or application of an ARC resolution or a provision of an ARC agreement which may affect travel agents in their role as agents for carrier parties to the ARC carrier services agreement. The following guidelines will apply to such a request:
 1. ARC must answer the request within fifteen (15) day of its receipt;
 2. The opinion shall relate only to the Agent and the specific question(s) raised in the request; and
 3. Unless the Agent seeks appeal of the opinion as hereinafter provided, the request and opinion shall not be circulated to any other person.
- B. The Agent seeking appeal of an opinion rendered above may by written submission to ARC, place on the agenda of the next ARC Board of Directors meeting, a request for the review of the opinion. The Board's decision shall be reported in the Minutes of the meeting, and a copy of the decision shall be promptly provided to the Agent.

SECTION XXV: MEMORANDUM OF AGREEMENT AND ALTERNATIVE MEANS OF AGENT CONCURRENCE

ARC may prepare a memorandum of agreement, execution of which binds ARC and the Agent, and the carriers appointing the Agent, to the terms and conditions of this agreement. The memorandum of agreement shall be executed in duplicate. The Agent's copy shall be attached to its copy of this agreement and the second copy will be returned to, and retained by, ARC. Alternatively, the Agent's concurrence in the terms and conditions of this Agreement may be obtained through an electronic signature; may be deemed to have occurred upon the Agent's performance under the Agreement, following advance notice, as of a fixed date; or, may be obtained or deemed to have occurred by any other means adopted by the ARC Board of Directors.

SECTION XXVI: AMENDMENT OF THIS AGREEMENT

A. ARC, in discharging the responsibility of notice, will submit each future amendment to this agreement to the Agent not less than forty-five days prior to the effective date of the amendment, unless otherwise specified.

In the event that, immediately prior to the effectiveness of the amendment, this agreement is at that time subject to termination in accordance with its terms, this agreement shall remain subject to such termination, without regard to whether the amendment alters any provision of this agreement related to the basis for the termination.

B. If ARC does not receive an executed amendment by the effective date thereof or the Agent's concurrence in the Agreement cannot be demonstrated, ARC may remove the Agent from the agency list and terminate this agreement with the Agent. Thereupon, ARC shall notify the carriers and, also, the system providers that the issuance of ARC traffic documents is prohibited.

SECTION XXVII: ASSURANCE OF NONDISCRIMINATION (Effective only as between the Agent and each U.S. carrier; not effective as between the Agent and ARC, itself).

In accordance with the Air Carrier Access Act of 1986 and 14 C.F.R. Part 382, the Agent shall not discriminate on the basis of handicap in performing services for air carriers subject to said Act, and the Agent shall comply with directives of the air carrier Complaints Resolution Officials issued pursuant to 14 C.F.R. Part 383.

SECTION XXVIII: EFFECTIVENESS

A. This agreement shall become effective as between the Agent and ARC on the date stated on the memorandum of agreement.

B. This agreement shall be effective as between the Agent and each carrier which has, or hereafter may have, issued an appointment to the Agent. This agreement shall have the same force and effect between the carrier and the Agent as though they were both named in, and had subscribed their names to, the memorandum on the date appearing thereon.

SECTION XXIX: TERMINATION

A. This agreement may be terminated as between the Agent and ARC, and between the Agent and all carriers jointly, at any time by notice from the Agent to ARC, subject to a full and complete accounting. This agreement may be terminated as between ARC and the Agent in accordance with this agreement by notice in writing from ARC to the Agent.

B. Whenever under the terms of this agreement ARC is required to remove the Agent or its branch location from the agency list, ARC will terminate this agreement with respect to the Agent or location, respectively.

C. Upon termination as between the Agent and ARC, and between the Agent and all carriers jointly, all unused ARC traffic documents (paper format) and airline identification plates shall be immediately returned, together with all monies due and payable to the carriers hereunder, and a complete and satisfactory accounting rendered. ARC may designate a representative to remove all ARC traffic documents (paper format) and airline identification plates from the Agent.

D. Whenever this agreement is terminated pursuant to paragraph A or B above, ARC shall notify all carriers and advise them of the effective date thereof. ARC shall also notify the system providers that the issuance of ARC traffic documents, whether in paper or electronic format, is prohibited. Additionally, the Agent shall cease any and all use of its code number(s) for purposes related to the issuance of ARC traffic documents.

E. A carrier appointment may be terminated as between the Agent and any individual carrier at any time by notice in writing from one to the other. If a carrier which issues specific certificates of appointment under section V hereof, elects to terminate its appointment of the Agent, it shall notify the Agent of the termination of the certificate of appointment. A carrier which has deposited with ARC a concurrence for appointment of all agents may terminate its appointment of the Agent by notifying the Agent by certified mail, with a copy to ARC's Agency Accreditation Services, such notice to be distributed by ARC to all carrier participants, that the Agent shall not represent that carrier. ARC shall also notify the system providers that the Agent's agreement with the carrier is terminated. The system providers shall

inhibit the printing of ARC traffic documents validated with such carrier's identifier as well the generation of such ARC traffic documents in an electronic format. Upon receipt of notice from a carrier that the termination of the Agent's agreement has been rescinded or revoked, ARC shall so notify the carriers and the system providers.

- F. Termination shall take effect immediately upon receipt of notice, or upon the date indicated therein, whichever shall be later, subject to the fulfillment by each of the parties of all obligations accrued prior to the effective date of such termination.

SECTION XXX: OTHER AGREEMENTS SUPERSEDED

This agreement shall supersede any and all prior agreements between the Agent and any carrier party to the Carrier Services Agreement concerning the issuance of ARC traffic documents for such party, including the Air Traffic Conference of America Passenger Sales Agency Agreement, except with respect to rights and liabilities thereunder existing at the date hereof.

AGENT REPORTING AGREEMENT

SECURITY RULES FOR ARC TRAFFIC DOCUMENTS AND AIRLINE IDENTIFICATION PLATES

Introductory Note: This attachment was the subject of intense study by the ARC Ticket Security Working Group, comprised of representatives of AAA, American Express, ASTA, ARTA, America West Airlines, Delta Air Lines and ARC. The results of this study were, in turn, reviewed by travel agents at specially-called meetings in Los Angeles and New York and by ARC's Joint Advisory Board, comprised of six (6) agency representatives and six (6) airline representatives, and adopted by ARC's Board of Directors in December 1995.

Certain of the following provisions are "recommended practices," and are so marked. Agency locations approved on or before March 31, 1996 are NOT required to comply with "recommended practices"; however, compliance with the "recommended practices" will relieve agents from liability for losses resulting from thefts. Moreover, it is planned that, following the specified periods noted, during which experience will be gained with the "recommended practices," that they will be reviewed by the above-referenced ARC groups; revised, as needed; and adopted as required practices of travel agents.

The remaining provisions are ones with which all agency locations must comply by March 31, 1996.

For all new independent and branch locations, and Satellite Ticket Printer (STP) locations, as well as ownership change (Types II (transfer to a new shareholder of 30 percent or more of corporate stock) and V (complete change/other)) applications received after February 28, 1996 and approved after March 31, 1996, compliance with all the provisions of attachment B is mandatory, unless otherwise noted.

* * *

PART A: ARC TRAFFIC DOCUMENTS (PAPER FORMAT)

SECTION I: NATURE AND PURPOSE

These rules have been developed by ARC to govern the security of its traffic documents and the airline identification plates provided to approved ARC travel agents. Adherence to the rules protects an approved travel agent in two ways. First, compliance with all the rules, including those labelled as "Recommended Practices," means that a travel agent will not be held liable by ARC or the airlines for usage of traffic documents in the event of a theft (including shoplifting, robbery, burglary, etc.) of the documents, except by the

travel agent or its employees. Conversely, non-compliance with the rules means that the travel agent will not be absolved from liability by ARC for usage in the event of such theft.

Second, visible adherence to the rules will act as a deterrent to criminals, who in many cases will inspect an agency location before deciding to carry out the crime. An obviously secure premises and sound business operation will deter the potential criminal, and prevent the problems the travel agent inevitably has to deal with following a criminal occurrence.

SECTION II: APPLICABILITY

These rules apply to what are classified by ARC as accountable documents which are as follows:

- o 2-flight manual tickets;
- o 4-flight manual tickets;
- o Transitional Automated Tickets (TATs);
- o Automated Ticket/Boarding Pass (ATBs);
- o Miscellaneous Charges Orders (MCOs);
- o Tour Orders; and,
- o Prepaid Ticket Advice (PTAs).

All other documents supplied by ARC to travel agents are classified by ARC as non-accountable documents and are not subject to these rules.

The rules govern the following:

- o the total amount of documents a travel agency location may have at any one time, i.e., its total inventory (see section III below);
- o special inventory provisions for travel agents and agency locations on the list of ARC-approved agents for six months or less (see section IV below);
- o the amount of documents a travel agency location may order from ARC (see section V below);
- o the amount of documents a travel agency location may have on its premises (see section VI below);
- o the storage of the remaining documents off-premises, i.e., reserve supply storage (see section VII below);

ATTACHMENT B

- exceptions where travel agency locations have sufficient security and may store all documents on premises (see section VIII below);
- storage of airline identification plates (see section IX below); and,
- the security of the travel agent's approved location and operations (see section X below).

SECTION III: THE AMOUNT OF DOCUMENTS THAT AN ARC-APPROVED LOCATION MAY HAVE IN INVENTORY AT ANY ONE TIME

A. The Agent may maintain a three-month supply of traffic documents, for each authorized agency location, based on its past usage.

1. Until such time as ARC is able to inform the Agent of its usage, by type of accountable document and on a per box basis, each calendar quarter, the Agent shall calculate such usage based on its three (3) highest consecutive months of usage in the past twelve months.
2. When ARC completes the systems development effort necessary to inform the Agent of its usage on a calendar quarter basis, such information will be provided by ARC to the Agent on a timely basis and will establish the Agent's levels of usage.

B. If, as a result of extraordinary circumstances, such as physical damage to the traffic documents held in inventory, or the planned movement of a large tour group, a travel agency location requires inventory in addition to that provided for above, the Agent shall include a written request for additional supplies with its requisition form, describing the reasons why such added inventory is required and stating the amount required, as well as, if applicable, a complete listing of damaged stock and the disposition of such stock, e.g., returned, destroyed, etc.

[Note: The Agent placing an order for additional inventory is reminded that the presence of such additional inventory exposes the agent to increased liability in the event of a theft.]

SECTION IV: SPECIAL INVENTORY AND SECURITY REQUIREMENTS FOR TRAVEL AGENTS AND AGENCY LOCATIONS ON THE LIST OF ARC-APPROVED AGENTS FOR SIX MONTHS OR LESS.

A. A travel agent approved by ARC shall receive as its initial supply of traffic documents the following:

- 1 box of Automated Tickets
- 1 box, or mailing unit, of Manual Tickets
- 1 box, or mailing unit, of MCOs
- 1 box, or mailing unit, of Tour Orders
- 1 box, or mailing unit, of PTAs

Thereafter, and until the Agent has been included on the list of ARC-approved agents for more than six months and has established a record of usage, the travel agent's inventory will be limited to no more than two times the initial supply, detailed above. Based upon its usage and/or approved locations, etc., an upward or downward adjustment may be made by ARC. ARC may request additional information from the agent to help evaluate stock needs.

B. For new independent and branch locations, and STP applications, as well as any Type II (transfer to a new shareholder of 30 percent or more of corporate stock) or V (complete change/other) ownership applications, received after February 28, 1996 and approved after March 31, 1996, compliance with sections VI.C and X is mandatory.

[Note: Section IV.A. applies only to new travel agents whose applications are received after February 28, 1996 and approved after March 31, 1996, while section IV.B. applies to newly-approved agency locations as well as to Type II and V ownership change situations, where the applications are received after February 28, 1996 and approved after March 31, 1996.]

EXAMPLE:

Agent's 3 month historic usage of ATBs = 3000 Coupons
 Agent's current inventory of ATBs = $\frac{-1000}{2000+1000/\text{box}} = 2 \text{ boxes}$

SECTION V: THE AMOUNT OF DOCUMENTS THAT MAY BE ORDERED FROM ARC

To calculate the number of boxes or mailing units of ARC documents that may be ordered, determine the allowable three (3) month inventory for each type of document and subtract the current inventory for that type of document; divide the difference by box size to arrive at the number of boxes that may be ordered.

ATTACHMENT B

A non-automated travel agent location may not order automated tickets. To be reclassified as an automated location, the travel agency should refer to applicable instructions in the *Industry Agents' Handbook*.

SECTION VI: THE AMOUNT OF DOCUMENTS AN AGENCY LOCATION MAY HAVE ON ITS PREMISES

A. Of its allowable inventory, an automated agency location may have the following on its premises:

1. One (1) box of automated tickets in use in each ticket printer.
 - a. When the location is not attended by authorized agency personnel, the ticket printer must either be in compliance with the printer location requirements of section X.C.1 below, or the traffic documents must be removed from the printer and locked up.
 - [Note: Provision A.1.a. above is a **RECOMMENDED PRACTICE**. This provision is, however, mandatory for all locations approved after March 31, 1996; it becomes mandatory for all locations, regardless of approval date, on March 31, 1997.]

[Note: A locked file cabinet is an appropriate container for the removed traffic documents, while a locked cash box, which is portable, is not. Once section X.C.2, which requires the ticket printer or its contents to be locked, becomes mandatory, this subsection ceases to be effective.]

2. One (1) additional box of automated tickets for each ticket printer maintained in the agency location. The spare box(es) must be locked up at all times.
3. One (1) box, or mailing unit, each of manual tickets, MCO's, tour orders and PTA's. When not being issued, such documents must be locked up. Alternatively, with respect only to the average daily amount of manual documents issued at the location, such need not be locked up while the location is attended by agency personnel if, during this time period, the documents are subject to strict inventory standards, i.e., log-out procedures, and are kept in a separate room or area that is not readily accessible to the general public.

B. Of its allowable inventory, a non-automated agency location may have the following manual documents on its premises:

1. One (1) box or mailing unit, each of manual tickets, MCO's, tour orders, and PTA's. When not being issued, such documents must be locked up. Alternatively, with respect to the average daily amount

of manual documents issued at the location, such need not be locked up while the location is attended by the agency personnel if, during this time period, the documents are subject to strict inventory standards, i.e., log-out procedures, and are kept in a separate room or area that is not readily accessible to the general public.

2. One (1) additional box or mailing unit of manual tickets. The spare box or mailing unit must be locked up.

*C. The traffic documents referenced in sections VI.A.2 and A.3 must be locked up in a metal safe, metal filing cabinet or other metal container, under the exclusive control of the Agent, which possesses the following security features:

1. a weight (when empty) of 200 or more pounds or permanent attachment to the floor or wall(s) of the location; and,
2. a locking device meeting UL classification 768 (combination/timelocks).

• [Note: Provision C. above is a **RECOMMENDED PRACTICE**. This provision is, however, mandatory for all locations approved after March 31, 1996; it becomes mandatory for all locations, regardless of approval date, after March 31, 1997.]

SECTION VII: STORAGE OF REMAINING INVENTORY (RESERVE SUPPLY)

The amount of the allowable inventory for the agency location over and above that which the location may keep on the premises must be stored in one of the following off premises storage facilities:

- A. A safe deposit box in a bank or savings and loan association; or
- B. Hotel safe; or
- C. Furrier's vault; or
- D. Jeweler's vault; or
- E. Commercial storage facilities providing storage and retrieval service for high-value and sensitive materials such as furs, art works, computer data files, or corporate records; or
- F. The facilities of armored carrier and storage companies which are in the business of storing and/or transporting money, jewelry, precious metals, and other high-value items; or

ATTACHMENT B

- G. Any other equivalent off-premises storage facility which the Agent describes to ARC, and which ARC approves in writing.

The Agent shall notify ARC in writing of any change in the location where remaining inventory is stored. Such notification should be sent to the Director - Field Investigations and Fraud Prevention.

If new supplies of ARC traffic documents are delivered to the Agent after the bank or other off-premises security facility is closed, the Agent shall store such ARC traffic documents in the most secure possible place, and must place them in the proper off-premises storage facility the following business day.

SECTION VIII: EXCEPTIONS TO THE ABOVE RULES WHICH ALLOW THE AGENT TO KEEP ALL ACCOUNTABLE DOCUMENTS ON THE AGENCY PREMISES

- A. The Agent may keep all ARC accountable documents at the authorized agency location provided prior written notice is given to ARC, and written approval is obtained from ARC, and the documents are secured in:

1. A walk-in steel vault; or
2. A windowless concrete-walled storage room equipped with a burglar-resistive vault door; or
3. A safe, from which all wheels and casters have been removed, and which is, and continues to be, "burglary resistant" bearing an Underwriters Laboratories (UL) classification of TL-15, TRTL-15 x 6, TL-30, TRTL-30 x 6, TRTL-60, TXTL-60, or a classification equivalent thereto; or
4. Any locked steel container or room which is protected by a burglary alarm system which meets all of the following standards:
 - a. Capable of detecting promptly an attack on the outer doors, walls, floor, or ceiling of the agency location; and
 - b. Designed to transmit to the police, either directly or through an intermediary, a signal indicating that any such attempt is in progress; and designed to actuate a loud sounding bell or other device that is audible inside the agency and for a distance of approximately 500 feet outside the agency; and
 - c. Equipped with a visual and audible signal capable of indicating improper functioning of or tampering with the system; and

- d. Equipped with an independent source of power (such as a battery) sufficient to assure continuously reliable operation of the system for at least 80 hours in the event of failure of the usual source of power.

- B. The notice required by section VIII.A, above, shall describe the on-premises storage facility in sufficient detail to show that it meets one of the foregoing requirements, and must be approved by ARC in writing.

SECTION IX: STORAGE OF AIRLINE IDENTIFICATION PLATES

The Agent shall store all airline identification plates in a locked, steel container separate from the on-premises supply of traffic documents.

[Note: A locked file cabinet is an appropriate container, while a locked cash box, which is portable, is not.]

SECTION X: GENERAL SECURITY OF THE TRAVEL AGENT'S APPROVED LOCATION AND OPERATIONS

- A. The Agent shall close, lock, or otherwise secure all means of access to the authorized agency location at all times when the location is not attended by authorized agency personnel.

[Note: The Agent may provide access to the agency location to non-agency personnel (i.e., landlord, cleaning services, independent contractors, etc.) when the location is not attended by authorized agency personnel. In so doing, however, the Agent bears responsibility for any ticket stock lost or stolen under such circumstances. It is, therefore, essential that the Agent require all non-agency personnel to close, lock, or otherwise secure all access to the location by unauthorized personnel while they are occupying it. It is suggested that the Agent examine the possibility of obtaining indemnification against any liability it incurs with ARC or its carriers as a result of acts of negligence on the part of the authorized non-agency personnel.]

- B. All automated tickets not in use in a printer must be locked up, as must all manual tickets, except those that are being issued. Alternatively, with respect only to the average daily amount of manual documents issued at the location, such need not be locked up while the location is attended by agency personnel if, during this time period, the documents are subject to strict inventory standards, i.e., log-out procedures, and are kept in a separate room or area that is not readily accessible to the general public.

ATTACHMENT B

[Note: A locked file cabinet or safe is an appropriate container, while a locked cash box, which is portable, is not. Consideration should also be given to the location of the container as well as the daily supply. Following bank procedures for the issuance of travellers' checks, where the bank employee goes to a non-public area to obtain only enough checks to meet the customer's order (but no "spares"), may be a worthwhile example to consider for the issuance of manual tickets by agency employees.]

- C.1. Printer Location. All ticket printers must be located in a separate room or area within the agency which is accessible only to that travel agency's personnel.
- [Note: Provision C.1. above is a **RECOMMENDED PRACTICE**. This provision is, however, **mandatory for all locations approved after March 31, 1996; it becomes mandatory for all locations regardless of approval date, on March 31, 1997.**]

[Note: If your agency location has more than one room or office, it is suggested that the printer(s) be placed in the room least accessible to the general public. If the agency location is primarily one room or office, a partition could be built or created with book shelves, for example, to separate the ticket printer(s) from access by non-agency personnel.]

- C.2. Locking Requirement for Printer or Its Contents. All automated ticket printers must be either (a) locked, (b) housed in a locked container, or (c) placed in a locked room. Alternatively, the tickets for the printer must be in a locked box.
- [Note: Provision C.2. above is a **RECOMMENDED PRACTICE**. This provision is, however, **mandatory for all locations approved after March 31, 1996, except in change of ownership situations where the existing CRS contract limits the ability to change equipment. It becomes mandatory for all locations, regardless of approval date, after March 31, 1999.**]

D. The Agent must maintain daily inventory procedures. For manual tickets, this means a log must be kept of all tickets received by the Agent, with the current status of each. For automated tickets, this means, at a minimum, the maintenance of a record of daily usage, i.e., range usage as provided by a TINS report, as well as a daily record of visual inspection.

[Note: In connection with the visual inspection requirement, it is suggested that the agent consider, where appropriate, marking the side of the in-use stock with a "V" or a vertical line which, when inspected on a daily basis by the agent, will quickly signal whether tickets have been removed from the contents. Another suggestion would be to insert a ruler into the feed stock bin on a daily basis to verify that the volume depleted was related to the documents used.]

PART B: ARC TRAFFIC DOCUMENTS (ELECTRONIC FORMAT)

The Agent shall exercise reasonable care in the issuance or disclosure of ARC traffic documents/data/numbers in an electronic format, to prevent the unauthorized issuance or use of such traffic documents/data/numbers. "Reasonable care" includes effective, electronic challenge and authentication, e.g., PIN and password, of any user accessing agent hardware, systems, or any other systems or hardware which can be used to issue traffic documents/data/numbers in an electronic format.

ATTACHMENT B

AGENT REPORTING AGREEMENT

PERSONAL GUARANTEE OF PERFORMANCE

SECTION I: APPLICABILITY

The provisions of this attachment apply whenever the Agent is required, under the provisions of section IV.A. of the agent reporting agreement, to execute a "Personal Guarantee of Performance of Agent's Agreement."

SECTION II: GUARANTORS

The guarantors on such guarantee shall include:

- A. All persons having a stock or other beneficial interest of 50 percent or more in the Agent and all officers, directors, or employees having a stock or other beneficial interest of 10 percent or more in the Agent, if such is a corporation; or
- B. Where the Agent is a corporation in which 50 percent or more of the stock or other beneficial interest is owned by another corporation(s) (hereinafter "parent corporation") then all persons, in addition to those who may meet the requirements of paragraph A above, having a stock or other beneficial interest of 50 percent or more in the parent corporation and officers, directors or employees having a stock or other beneficial interest of 10 percent or more in the parent corporation.
- C. Each general partner and the spouse of each general partner if the Agent is a general or limited partnership;
- D. The spouse of the Agent which is a sole proprietorship.

SECTION III: EFFECTIVENESS OF GUARANTEE

The originally executed guarantee is of continuing effect, and its effectiveness, and the guarantors' liability thereunder, survives termination of the Agents' Agent Reporting Agreement, except as modified pursuant to section IV below, and need not be re-executed upon amendment of the Agent Reporting Agreement, including subsequent revisions and reissues thereof.

SECTION IV: MODIFICATION OF PERSONAL GUARANTEE

- A. By mutual consent of ARC and the Agent, guarantors may be added, deleted, or substituted for existing guarantors, if circumstances change, e.g., change of corporate or partnership structure, or change of spouse occurs after the guarantee has been executed.

- B. After the guarantee has been in effect for two years, the Agent may petition the Arbitrator for review of the requirement to maintain such guarantee.

SECTION V: AGREEMENT PERSONAL GUARANTEE OF PERFORMANCE OF AGENT'S AGREEMENT

As a condition imposed for continued inclusion on the agency list of the Airlines Reporting Corporation (hereinafter referred to as Principal), acting on behalf of carriers who have executed the carrier services agreement, or as a condition for continued inclusion on said agency list following a declaration of default under section VIII.D., of the ARC agent reporting agreement (hereinafter referred to as agency agreement), the undersigned hereby jointly and severally promise and guarantee the unconditional payment

by Trade Name: _____

ARC#: _____
(hereinafter designated as Agent), of all indebtedness, liabilities and obligations of every nature and kind arising out of or in connection with the said agent agreement as presently constituted and as may be hereinafter amended, including subsequent revisions and reissues thereof, except to the extent that such indebtedness, liabilities or obligations are satisfied from the proceed of the surety bond or letter of credit required under said agency agreement and/or are satisfied by the assets of the Agent itself.

Any assets which a spouse who executed this guarantee acquired independently of the Agent are excluded from the provisions of this guarantee.

Authority and consent are hereby expressly given the Principal from time to time, and without any notice to the undersigned, to give and make such extensions, renewals, settlements, and compromises as it may deem proper with respect to any of the indebtedness, liabilities and obligations covered by this guarantee; and the release by Principal of any other person, or settlement with him, or the revocation or impairment of this guarantee with respect to one or more of the guarantors, shall not operate to prejudice the rights of the Principal against the other guarantors hereunder. This

ATTACHMENT C

guarantee shall bind the parties by whom it is signed, whether the same be signed by one or more guarantors. This guarantee may consist of several counterparts, all of which, taken together, shall constitute a single guarantee.

It is understood that this is a continuing absolute and unconditioned guarantee, co-extensive with said ARC agent reporting agreement as presently constituted and as may be hereafter amended, including subsequent revisions and reissues thereof. The undersigned and each of them hereby

expressly waives notice of acceptance of this guarantee and of all defaults by the Agent of non payment and nonfulfillment of any and all of said indebtedness, liabilities, and obligations.

The execution of this guarantee shall not be construed as to create a present security interest or lien on the assets of the guarantors hereto.

Signed and sealed by the undersigned on the dates set forth below.

Witness:/s/ _____

/s/ _____ (SEAL)
(Guarantor)

(Print name of witness)

(Print name of guarantor)

(Relationship or affiliation with Agent)

(Relationship or affiliation with Agent)

(street address)

(street address)

(city, state, zip)

(city, state, zip)

(telephone number)

(telephone number)

Date _____ 199____

Date _____ 199____

(Repeat guarantors and witnesses as required)

[Notary Seal]

AGENT REPORTING AGREEMENT**CENTRAL COLLECTION SERVICE****SECTION I: NATURE AND PURPOSE**

In order to expedite the flow and payment of (1) debit memos issued by a carrier against an agent, and (2) credit request memos issued by an agent against a carrier, and to provide a uniform manner of processing such items should the Agent or carrier fail to act upon direct submissions to them within a reasonable time, there is hereby created and established within ARC the Central Collection Service (hereinafter "CCS").

SECTION II: FUNCTIONS OF CCS

CCS shall:

- A. Receive credit request memos from agents;
- B. Receive debit memos from carriers;
- C. Submit the credit request memos to the appropriate carriers with a notice indicating the amount will automatically be deducted from an area settlement plan disbursement on a specified date unless either paid or contested by the carrier within a prescribed period;
- D. Submit the debit memos to the Agent;
- E. Remit the monies received from agents or carriers to the appropriate claimant;
- F. Promptly advise any claimant when the Agent, or the carrier, as the case may be, contests a claim;
- G. Take action in accordance with this Agreement if the Agent fails to remit within 30 days of receipt of a debit memo;
- H. Obtain payment for a credit request memo from an area settlement plan disbursement of any carrier which neither pays nor contests the credit request memo within 30 days after receipt, and remit the payment to the claimant; and
- I. Prescribe the forms, procedures, and notices to be utilized in performing the functions and responsibilities hereunder.

SECTION III: STANDARDS OF ELIGIBILITY

- A. In order for an agent to utilize CCS for the submission of credit request memos, the following standards of eligibility apply:
 1. The value of the credit request memo must be at least \$10;
 2. The time since the initial submission of the credit request memo to the carrier shall be no less than 45 days, nor more than 18 months, and a follow-up to the carrier shall have been made at least 15 days prior to submission to CCS; and
 3. The credit request memo shall not have been contested by the carrier.
- B. The foregoing provisions of subsection III.A.2 above notwithstanding, nothing herein shall prevent the Agent from referring a credit request memo to ARC for processing directly with the carrier involved which is neither paid nor contested by the carrier within a reasonable period after receipt if, in the Agent's opinion, the amount of the credit request memo is of such significant value as to impair the Agent's operation if processed through CCS.
- C. In order for a carrier to utilize CCS for the submission of debit memos, the following standards of eligibility apply:
 1. The time since initial submission of the debit memo to the Agent for payment shall be no less than 90 days nor more than 18 months prior to submission to CCS, and a follow-up claim to the Agent shall have been submitted at least 45 days prior to submission to CCS;
 2. The Agent shall not have, prior to submission to CCS, contested the claim; and
 3. Debit memos must relate to ARC traffic documents issued by the Agent within the 24-month period immediately preceding the date of submission of the debit memo to CCS.

ATTACHMENT D

SECTION IV: CONTESTING A CLAIM

- A. A "contested claim" is one in which the carrier or the Agent rejects a credit request memo or debit memo, respectively, in writing with an explanation for the reason of non-payment of the item involved. This explanation must include, among other things, the basis for nonpayment, setting forth in sufficient detail and with available supporting documents the issues and questions of fact permitting a reasonable understanding of the reason for the rejection, and an expression of willingness to discuss the claim and rejection with the other party. Nonpayment of a separate claim by either party shall not constitute a basis for contesting a claim, i.e., there shall be no right of offset by either party.
- B. A contested claim will not be eligible for submission to CCS. Should a carrier contest a credit request memo, or an agent contest a debit memo transmitted to it by CCS in accordance with the terms hereof, CCS shall withdraw the item from CCS processing, and shall return the credit request memo or debit memo to the originator accompanied by the contested claim documentation.
- C. If in the opinion of the claimant a claim returned unpaid by CCS does not meet the definition of "contested claim", the claimant may resubmit the claim and other documentation to CCS for determination of whether the claim has been properly contested. If it is concluded that the claim has not been properly contested, the parties shall be notified thereof and afforded ten days after receipt of notice to contest the claim properly. If at the end of that ten-day period the claim has not been properly contested, CCS shall notify the parties thereof, accompanied by an explanation of the reasons for its conclusion. Such claim must be paid to CCS by the carrier or Agent within ten days after the notice from CCS to the parties advising the reasons for its conclusion. Failure by the carrier to pay within that time shall result in automatic deduction of the amount indicated on the credit request memo from that carrier's area settlement plan disbursement.

AGENT REPORTING AGREEMENT**SELECTION OF THE TICKETING CARRIER****SECTION I: GENERAL RULE**

- A. The Agent will use the ticketing identification of any ARC carrier scheduled to participate in the transportation.
- B. In the event ticketing identification of a carrier scheduled to participate in the transportation is not available, the Agent will use the identification of any other ARC carrier who has provided authorization for such use.

SECTION II: CLARIFICATION OF "TICKETING IDENTIFICATION"

- A. For preparation of a manually issued ARC traffic document (paper format), ticketing identification will be through use of the airline identification plate provided by any ARC carrier scheduled to participate in the transportation. If such an identification plate has not been provided, the identification plate of any other ARC carrier may be used provided the carrier has given authorization for such use. ("Authorization" in this instance can be either verbal or written from either the home or local office of the authorizing carrier.)
- B. For preparation of automated ARC traffic documents (paper format) through the use of the Agent's stand-alone computer system (without interface to a carrier's computer system) ticketing identification will be determined on the same basis as for manual issuance.
- C. For preparation of automated ARC traffic documents (paper format) through the use of a system provider (servicing carrier) or for issuance of ARC traffic documents in an electronic format:
 - 1. Ticketing identification will be the designation of any ARC carrier scheduled to participate in the transportation which also:

- a. is a signatory to the airline industry's automated ticketing agreement which authorizes a ticket to be generated in the name of the signatory airline. (A record of such signatories is maintained by the servicing carrier's computer system), and
 - b. has provided its airline identification plate to the Agent.
- 2. If no such carrier has authorized use of its name, another ARC carrier may be designated as follows:
 - a. The servicing carrier may be named by the Agent as the ticketing carrier even though it is not scheduled to participate in the transportation whenever such Agent is not permitted under C.1.a. above or authorized under C.1.b. above to issue an ARC traffic document in the name of any carrier participating in the itinerary; *provided*, that, the servicing carrier has an interline agreement with the carriers in the routing (determined by the servicing carrier's computer system).
 - b. The Agent may instruct the servicing carrier to issue an ARC traffic document in the name of a specific ticketing carrier party to the airline industry's automated ticketing agreement, on behalf of another carrier not a party to that agreement, provided such authorization has previously been given to the servicing carrier by the specific ticketing carrier. (A record of such authorization is maintained by the servicing carrier's computer system.)

Intentionally left blank

**AGENT REPORTING AGREEMENT****PROCEDURES TO CHANGE OWNERSHIP****SECTION I: TRANSFER OF 30 PERCENT OR MORE OF THE SHARES IN A CORPORATION WITH NO NEW SHAREHOLDERS BEING ADDED**

The Agent shall submit a listing of name, residence address, and telephone number of all shareholders indicating percentage of stock held by each.

SECTION II: TRANSFER OF 30 PERCENT OR MORE OF THE SHARES IN A CORPORATION TO A NEW SHAREHOLDER(S)**A. The Agent shall:**

1. Submit a listing of name, residence address, and telephone number of all shareholders indicating percentage of stock held by each;
2. Submit a Personal History Form for each new shareholder, officer, and director along with authorization by each individual to permit ARC to verify the information therein; and
3. Submit an application fee.

- B.** Upon receipt of the necessary documentation, ARC shall institute an investigation to verify the information submitted. Within 60 days from the receipt of the application, ARC shall approve the change unless there is reason to believe that the Agent fails to meet the requirements of this agreement, in which case ARC may take appropriate action consistent with section XXIII of this agreement.

SECTION III: STRUCTURAL CHANGE

(A change which does not involve the addition of a new owner or principal, e.g., proprietorship TO/FROM corporation; partnership TO/FROM corporation.)

A. The Agent shall submit notification to ARC prior to the change, including:

1. A rider to the bond or an amendment to the irrevocable bank letter of credit, as appropriate, naming as principal the new entity, in the required form and amount required by section IV.A of this agreement;
2. An executed amendment to the agreement reflecting the new entity; and
3. An application fee.

- B.** Upon receipt of the necessary documentation, ARC will approve the change. Such approval will be given only on the condition that the new entity assumes responsibility for all financial obligations of the Agent to ARC and to the carriers. *Provided*, however, that this assumption of responsibility shall not be deemed to nullify or abridge to any extent the rights and privileges of any person under the U.S. Bankruptcy Code. If there is reason to believe that the Agent fails to meet the requirements of this agreement, ARC may take appropriate action consistent with section XXIII of this agreement.

SECTION IV: ACQUISITION OF AN AUTHORIZED AGENCY LOCATION BY ANOTHER AGENT**A. When an authorized agency location is acquired by the Agent, and the former is to become a branch office location of the latter, then the Agent shall:**

1. Submit an application for approval to ARC prior to the acquisition;
2. Submit evidence that the authorized agency location is in compliance with sections IV.B and IV.D of this agreement;
3. Submit statements from the selling agent and the Agent concurring to the acquisition. Withdrawal of the concurrence by either agent prior to approval will be considered withdrawal of the application.

- B.** Upon receipt of the complete application and all necessary documentation, ARC will approve the change if the authorized agency location is qualified for inclusion on the agency list. If there is reason to believe that the authorized agency location fails to meet the requirements for retention on the agency list, the application will be disapproved.

SECTION V: ANY OWNERSHIP CHANGE OR TRANSFER NOT DESCRIBED ABOVE

- A.** Whenever the ownership of any authorized agency location is being changed or transferred under circumstances not covered by the preceding provisions of this attachment G, the new ownership shall:

ATTACHMENT G

1. Submit an application in a form prescribed from time to time by ARC, containing evidence of compliance with all requirements for retention on the agency list;
 2. Submit a bond or irrevocable bank letter of credit for the new entity in the form and amount required by section IV.A of this agreement;
 3. Submit an executed memorandum of agreement reflecting the new entity;
 4. Submit a Personal History Form for each owner, officer, director, and manager along with authorization by each individual to permit ARC to verify the information therein, in such form as may be prescribed by ARC;
 5. Submit written acknowledgement by the Agent and the prospective owner(s) whereby ARC may require a satisfactory accounting of ARC traffic documents (paper format) and airline identification plates which are to be transferred to the new entity, and that the application will not be approved until all missing traffic documents (paper format) and all missing ARC-issued numbers (electronic format) and airline identification plates have been accounted for;
 6. Submit a statement from the Agent and the purchaser concurring to the purchase. Withdrawal of the statement by either the Agent or the purchaser prior to approval will be considered withdrawal of the application; and
 7. Submit an application fee.
- B. Upon receipt of the complete application and all necessary documentation, ARC will notify all carriers and the system providers of the proposed change and institute an investigation to verify the information submitted. Within 60 days from the receipt of the complete application and all required documentation, ARC shall approve the change unless there is reason to believe that the proposed entity fails to meet the requirements for retention on the agency list, in which case the change of ownership shall be disapproved. If the new entity is qualified for approval, ARC shall enter into a new agreement, or amendment to the existing agreement, with such new entity and place the name of such person on the agency list. The carriers and the system providers shall be notified of the approval of the application.

SUPPLEMENTARY AGREEMENT 1

**SUPPLEMENTARY AGREEMENT REGARDING THE REPORTING AND SETTLEMENT
OF SALES OF RAILROAD TRANSPORTATION**

The Supplementary Agreement to the Airlines Reporting Corporation Agent Reporting Agreement is made by and between the Airlines Reporting Corporation (hereinafter "ARC"), 1530 Wilson Blvd., Suite 800, Arlington, VA, 22209-2448, on its own behalf and on behalf of the air carriers and the railroad carriers which have, or hereafter, execute the ARC Carrier Services Agreement (hereinafter "air carrier" or "air carriers" and "railroad carrier" or "railroad carriers") and which appoint the Agent,

and

the person who executes the Memorandum of Agent Reporting Agreement described below in Section IV, hereof, agreeing to the bound by the terms and conditions of the ARC Agent Reporting Agreement and this Supplementary Agreement to the ARC Agent Reporting Agreement (hereinafter called "the Agent").

WITNESSETH:

WHEREAS, ARC maintains an Agency List containing the names of persons who have been found to meet certain minimum requirements and qualifications, and provides ARC traffic documents to the locations of persons on the Agency List that may be used to ticket transportation or provide for ancillary services on air carriers and railroad carriers which appoint such persons;

WHEREAS, air carriers and railroad carriers which are parties to the ARC Carrier Services Agreement and Supplementary Agreement-3 to the ARC Carrier Services Agreement, may appoint and provide their airlines identification plates and railroad identification plates to such persons for the issuance of ARC traffic documents on their behalf;

WHEREAS, ARC administers and operates the Agents' Standard Ticket and Area Settlement Plan (hereinafter "ASP" or "the Plan") through which persons included on the ARC Agency List report ARC traffic documents for the sales of air transportation, rail transportation and ancillary services on behalf of the air carriers and railroad carriers, and make settlement therefor;

WHEREAS, ARC enters into agreements with entities who wish to provide an efficient means of delivering ARC traffic documents (paper format) on behalf of eligible ARC-accredited agents through an Electronic Ticket Delivery Network.

WHEREAS, the Agent engages in the sale of air transportation and rail transportation to the public as Agent

for and on behalf of the air carriers and the railroad carriers and, upon application duly submitted, the Agent has been found qualified for inclusion on the ARC Agency List;

WHEREAS, the Agent will utilize the Plan to report ARC traffic documents issued for the sale of air transportation, rail transportation and ancillary services on behalf of the air carriers and the railroad carriers appointing such Agent, and make settlement therefor:

NOW, THEREFORE, in consideration of these premises and mutual covenants and agreements hereinafter set forth, it is mutually agreed as follows:

**SECTION I: INCORPORATION BY REFERENCE OF ARC
AGENT REPORTING AGREEMENT**

The parties hereto, Airlines Reporting Corporation, on behalf of the air carriers and railroad carriers, and the Agent, herewith acknowledge, affirm, and agree that they have each properly executed the ARC Agent Reporting Agreement, and that said ARC Agent Reporting Agreement is incorporated herein by reference, and shall be binding on these parties as of the date of this Supplementary Agreement to the ARC Agent Reporting Agreement, except to the extent that said ARC Agent Reporting Agreement is modified by the terms and conditions of this Supplementary Agreement to the ARC Agent Reporting Agreement appearing below.

SECTION II: DEFINITIONAL MODIFICATIONS

For the purposes of this Supplementary Agreement, section II of the ARC Agent Reporting Agreement, styled Definitions, is herewith modified to add and/or expand the following several definitions:

- A. **AGREEMENT** means the ARC Agent Reporting Agreement and Supplementary Agreement to the ARC Agent Reporting Agreement.
- B. **RAILROAD** means any person operating scheduled passenger transportation by rail.
- C. **RAILROAD CARRIER** means any railroad which has an office subject to the service of process within the United States and is authorized by the government of any nation, or any agency or instrumentality thereof, to engage in scheduled rail transportation of persons, and which has executed the Carrier Services Agreement with ARC.

SUPPLEMENTARY AGREEMENT 1

D. **RAILROAD IDENTIFICATION PLATE** means a plate bearing the railroad carrier's name or authorized abbreviation, and code number, and is used in a validator machine for the validation of ARC traffic documents.

SECTION III: SYNONYMOUS WORD AND PHRASES

A. Airlines, Airline Identification Plate, Airline Officer, Carrier. For purposes of this Supplementary Agreement, whenever the words or phrases Airline, Airline Identification Plate, Airline Office or Carrier are used in the ARC Agent Reporting Agreement, they shall be considered as synonymous with, and also including and applying to the following words and phrases, respectively: Railroad, Railroad Identification Plate, Railroad Office, and Railroad Carrier.

B. Air transportation and transportation by air. For purposes of this Supplementary Agreement, whenever the phrases air transportation or transportation by air are used in the ARC Agent Reporting Agreement, they shall be considered as synonymous with, and also including and

applying to the following phrases, respectively: rail transportation or transportation by rail.

SECTION IV: MEMORANDUM OF AGREEMENT TO THE ARC AGENT REPORTING AGREEMENT

ARC has prepared a Memorandum of Agreement to the ARC Agent Reporting Agreement, execution of which binds ARC and the Agent, and the air carriers and the railroad carriers appointing the Agent and the Agent, to the terms and conditions of the ARC Agent Reporting Agreement, as well as this Supplementary Agreement to the ARC Agent Reporting Agreement. The memorandum of agreement to the ARC Agent Reporting Agreement shall be executed in duplicate. The Agent's copy shall be attached to its copy of the ARC Agent Reporting Agreement, including this Supplementary Agreement thereto, and the second copy will be retained by ARC. Alternative methods of obtaining the Agent's concurrence in the ARC Agent Reporting Agreement, as well as this Supplementary Agreement, are also provided for.

SUPPLEMENTARY AGREEMENT 2

SUPPLEMENTARY AGREEMENT COVERING
A SATELLITE TICKET PRINTER LOCATION

This agreement is entered into by the Airlines Reporting Corporation (hereinafter referred to as "ARC"), a close corporation chartered in the state of Delaware with its principal place of business at 1530 Wilson Boulevard, Arlington, Virginia, on its own behalf and on behalf of the carriers which have executed, or hereinafter execute, the ARC Carrier Services Agreement (hereinafter referred to as "carrier" or "carriers"), and the ARC-listed travel agent executing this agreement (hereinafter referred to as "Agent").

This agreement supplements the ARC Agent Reporting Agreement entered into by ARC and Agent, including any and all amendments or revisions thereto. Moreover, the provisions of the ARC Agent Reporting Agreement, including any and all amendments or revisions thereto, are incorporated into this Supplementary Agreement by reference. Further, this agreement applies to each of Agent's approved STP locations which may be added to the ARC Agency List after the effective date of this agreement, and will apply to all of Agent's STP locations, regardless of approval date, as of the effective date of this agreement.

[COMMENT: See section 17 for effective dates and exceptions.]

Certain words and phrases, as used in this Supplementary Agreement, are defined as follows:

ARC traffic documents include only automated ticket/boarding pass (ATB) forms (paper format).

Attendant is a person who is knowledgeable in all facets of operating the STP, including the activities described in the Application for an Authorized Satellite Ticket Printer Location, and is aware of the importance of ticket accountability and security. The attendant is the person responsible for removing the ATB forms from the ticket printer (required for Type 1 and Type 2; see "Location Types and Security Requirements," below).

Host Authorized Agency Location is the ARC authorized agency location which is responsible for the satellite ticket printer's operation. It must be either an independent location, a home office, or a branch location but may not be a Special Event Location (SEL), an Administrative Office (AO), or another STP location. Satellite Ticket Printer (STP) is a ticket printing device which may be attended or unattended and allows for the delivery of ARC traffic documents and other related traffic documents to authorized individuals but only at the direction of, and upon the transmission from, the host authorized agency location.

Satellite Ticket Printer (STP) Location is a location whose sole ARC travel-related function is the delivery of ARC traffic documents and other related traffic documents to customers of an ARC-listed agent by means of a ticket printing device.

The parties state that:

1. Agent wishes to deliver ARC traffic documents electronically to its customers by means of a satellite ticket printer (STP). The electronic transmission will be controlled by a host authorized agency location, and the delivery will occur at the satellite ticket printer (STP) location.
2. Agent affirms the representations made in any STP application to ARC, which are incorporated by reference in this Supplementary Agreement.
3. ARC finds that, subject to the conditions described in this Supplementary Agreement and the Agent Reporting Agreement, Agent should be provided an opportunity to operate an STP at the STP location described in the STP application incorporated by reference in this Supplementary Agreement.

In consideration thereof, the parties agree as follows:

4. The STP location described in any STP application incorporated by reference in this Supplementary Agreement shall be (1) assigned an agency code number, (2) separately listed on the ARC Agency List and (3) cross-referenced to its host authorized agency location. The responsibility for the STP location, including the delivery of blank ARC traffic documents to and from such location, the security and maintenance of ARC traffic documents assigned to the STP location's agency code number, the printing of ARC traffic documents at the STP location in accordance with all rules, regulations, and instructions of ARC and the carriers, and the weekly reporting and settling for all ARC traffic documents printed at the STP location, shall be the Agent's in accordance with the ARC Agent Reporting Agreement, as it may be modified by this Supplementary Agreement.
5. ARC will deliver to Agent at the host authorized agency location all ARC traffic documents intended to generate ticket delivery at the STP location. Alternatively, and with respect solely to ARC traffic documents for use in a STP, the Agent, in lieu of its host authorized agency location, may designate another of its authorized locations

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(but not, a Special Event Location (SEL) or a Satellite Ticket Printer Location (STP)) to receive ARC traffic documents. Allowable excess ARC traffic documents shall be retained by either the host authorized agency location or by the designated authorized agency location in accordance with the security requirements in attachment B of the ARC Agent Reporting Agreement. Agent assumes full and absolute responsibility for the transportation to and from, and the safeguarding of the ARC traffic documents at, the STP location.

6. A. With respect to ARC traffic documents for the STP maintained by the host authorized agency location, or with respect to ARC traffic documents maintained by the designated authorized agency location, Agent affirms that the security measures at such locations shall comply with those detailed in attachment B of the ARC Agent Reporting Agreement, and affirms its obligations under the sections titled Liability and Waiver of Claim, Delivery and Withdrawal of Traffic Documents and Identification Plates, and Custody and Security of Traffic Documents and Identification Plates, in the ARC Agent Reporting Agreement.
- B. With respect to ARC traffic documents at the STP location identified in any STP application incorporated by reference in this Supplementary Agreement, and with respect to ARC traffic documents which are in transit to and from this location, the Agent, regardless of any security measures taken, assumes full and absolute liability for any and all damage, expense or loss experienced by any carrier, its officers, agents or employees on account of the loss, misapplication, theft or forgery of such documents.
- C. No more than the average weekly number of ARC traffic documents used per ticket printer over the preceding 12 months, or the number of ARC Documents contained in the smallest shipping box, per ticket printer, which ever is greater, shall be stored at the STP location described in the STP application.
- D. Any ARC traffic documents not in use in the STP shall be stored in accordance with the provisions of section VI.C. of attachment B of the Agent Reporting Agreement. Alternatively, if the location is open to the general public, such ARC documents not in use shall be stored in a safe meeting the requirements of section VIII.A of attachment B of the ARC Agent Reporting Agreement.
- E. 1. The agent guarantees that the ARC traffic documents stored inside a Type 1, or Type 2 STP, as these are defined in section 8 below, will be limited to the ARC traffic documents actually in

use in that machine and in no case will exceed the number of coupons described in 6.C.

2. The agent guarantees that the ARC traffic documents stored inside a Type 3, Type 4, or Type 5 STP, as these are defined in section 8 below, will be limited to the ARC traffic documents actually in use in that machine and in no case will exceed the number of coupons described in 6.C. or 6000 automated ticket/boarding pass (ATB) documents whichever is less.

3. The agent guarantees that the ARC traffic documents inside a Type 6 STP, as defined in section 8 below, both in use and in storage, will not exceed the number of coupons described in 6.C. or 6000 automated ticket/boarding pass (ATB) documents whichever is less.

- F. The agent will advise ARC each week by means of a transmission, or other method satisfactory to ARC, of the usage, by inclusive range of stock control numbers, of the ARC traffic documents used during the week, whether issued as tickets, boarding passes, or other, or voided. Such advice shall be sent by Agent for receipt by ARC or its designated representative in accordance with the schedule for the receipt of the Agent's weekly sales report, as specified in the appropriate section of the ARC Agent Reporting Agreement. (Alternatively, in the case of electronic data transmission, such advice shall be sent by the Agent for receipt by ARC or its designated representative by the Wednesday following the Sunday closing of the week.) If the usage report is not received by ARC within the period specified, ARC may take action in accordance with the provisions of section 21, below.

7. Security Definitions

The agent represents that the STP or the on-site document storage container is designed to prevent access by unauthorized parties, and, where noted, meets Underwriters Laboratories (UL) classification 291 for Automated Teller Systems, (UL) classification 687 for Burglary Resistant Safes, or other standards specified by ARC.

- A. The alarm system for a locked steel container protected by an electronic alarm system must be at least 110 decibels when measured at 18 inches on the A scale and must be able to operate on battery power in the event of a power failure. The alarm may be a door contact alarm, a room motion alarm, or other

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alarm system acceptable to ARC. Alternatively, a safe meeting the requirements in attachment B of the ARC Agent Reporting Agreement is acceptable.

- B. The UL 291 standard is an American National Standard Institute (ANSI) joint standard. STP certification testing, therefore, may be done by any ANSI approved testing laboratory as well as UL Laboratories. There is a 2-step inspection procedure for STPs: 1) certification that the machine meets the UL requirements and other requirements of section 8 of the STP agreement; and 2) an on-site visit at the STP location.

- C. The audible motion detector alarms described in section 8 must be triggered whenever an unauthorized person attempts to move or tip the machine. The specifications for the motion alarms required in this section will be left up to the individual vendors.

The audible door contact alarms must also be triggered whenever an unauthorized person attempts to open the door(s) to the machine or when the machine is left unlocked or the door(s) are not shut.

The audible alarms required in this section will be at least 110 decibels when measured at 18 inches on the A scale and must be able to operate on battery power in the event of a power failure.

- D. On-site security personnel are required in a Type 4 setting even though it is a controlled admittance, non-public location. The security personnel must be on premises, not at the precise STP location.

8. Location Types and Security Requirements

Type 1

- A. 1. The Type 1 STP is an attended printer not intended to serve the general public, located in a private area within a business-type concern where it is neither visible nor accessible to the general public. The Type 1 STP:
- must be attended
 - must be located in a secure, non common, area which is not accessible to the general public.
 - may be operated only by the attendant
2. The minimum security requirements for a Type 1 STP include:

- the STP(s) is located in a secured area, accessible only by authorized parties, thereby insuring the security of ARC traffic documents.
- the removal and storage (in a locked steel container which is protected by an electronic alarm system) of all ARC traffic documents at the end of each operating day;

Type 2

- B. 1. The Type 2 STP is an attended printer which serves the general public. The printer may be located in an area where it may be visible to the general public, but it may not be physically accessible to the general public. The Type 2 STP:
- must be attended
 - must be designed to prevent access by unauthorized parties
 - may be operated only by the attendant.
2. The minimum security requirements for a Type 2 STP, include:
- the STP must be located in a secure area which is not readily accessible to the public
 - the STP, including its in-use supply of ARC traffic documents, will be completely enclosed in a steel security container, or an acceptable equivalent thereof (e.g., a container made of solid wood of at least 3/4" thickness). The security container will be constructed in such a manner as to preclude any loss of ARC traffic documents through casual pilferage.
 - The container will be equipped with a locking mechanism which must be locked whenever ARC traffic documents are enclosed therein.
 - the removal and storage (in a locked steel container which is protected by an electronic alarm system) of all ARC traffic documents at the end of each operating day;

Type 3

- C. 1. The Type 3 STP is an unattended printer which is located in a private area within a business-type concern for use by the employees and guests during normal business hours. The Type 3 STP:

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- a. must be located in a secured, non-common, area which is not accessible or available to the public;
 - b. may be activated only by designated, authorized parties;
 - c. is available only during business hours; and,
 - d. is under observation, i.e., within view, by a responsible party while it is available for use.
2. The minimum security requirements for a Type 3 STP include:
- a. the removal and storage (in a locked steel container which is protected by an electronic alarm system) of all ARC traffic documents at the end of each operating day;
 - b. the in-use supply of ARC traffic documents and the STP electronics must be protected by an audible door contact alarm(s);
 - c. the in-use supply of ARC traffic documents must be secured and not accessible to unauthorized persons, or exposed to users prior to ticket delivery; and,
 - d. the printer control panel, if accessible or exposed to view, must be disabled.

Type 4

- D. 1. The Type 4 STP is an unattended ticket printing device accessible 24 hours each day and located in a common area of a business-type concern where access to the business-type concern is restricted to employees and guests. The Type 4 STP:
- a. may be located in a common area on the concern's premises which is not accessible or available to the public;
 - b. may be activated only by designated, authorized parties; and,
 - c. is available 24 hours per day.
2. The minimum security requirements for a Type 4 STP include:
- a. the non-public facility where the STP is installed must have security personnel on site 24 hours each day;

- b. the in-use supply of ARC traffic documents and the STP electronics must be protected by an audible door contact alarm(s);
- c. the STP must be protected by an audible motion sensing alarm;
- d. the STP must have a resistance to movement equal to 750 pounds; and,
- e. the ARC traffic documents housed inside the STP must be protected by a safe meeting requirements of UL TRTL 15x6. Note: UL classification 687 details burglary resistant safes, such as this.

Type 5

- E. 1. The Type 5 STP is an unattended ticket printing device located in an area that is open to the general public and is available for use within business hours by the general public. The Type 5 STP:
- a. must be under non-electronic observation, i.e., within view, by a responsible party, whenever it is intended to be in service and available for use; and,
 - b. must not be accessible or available to the general public during the hours when it is not intended to be in service unless all ARC traffic documents have been removed and secured in a locked steel container protected by an electronic alarm system.
2. The minimum security requirements for a Type 5 STP include:
- a. the security container and locks protecting the ARC traffic document stored inside the STP, including its in-use supply of ARC traffic documents, must be housed in a security container meeting the requirements of UL 291, section 13, Business Hour Service, and be certified as Resistant to Expert Attack per the requirements in Business Hour Service Automated Teller Systems, section 36;
 - b. unclaimed ARC traffic documents may be stored inside the UL 291 enclosure described in section 8.E.2.a, above, or, alternatively, in a locked steel container which is protected by an electronic alarm;



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- c. the STP must be protected by audible door and motion alarms if security as described in section 8.D.2.a is on site 24 hours each day; OR, the STP must be protected by electronic door and motion monitoring 24 hours each day if security is not on site 24 hours each day; OR, the STP will be protected by audible door and motion alarms during business hours and all ARC traffic documents will be removed to a locked steel container, protected by an electronic alarm system, during non-business hours;
- d. the STP must have a resistance to movement equal to 1500 pounds;
- e. the STP shall be capable of retrieving any ARC traffic documents not removed within 30 seconds by a customer; and,
- f. the STP will record the removal by the customer of all ARC traffic documents.

Type 6

- F. 1. The Type 6 STP is an unattended ticket printing device located in an area that is open to the general public without limitation as to the time of day. The minimum security requirements for a Type 6 STP include:
- a. the security container and locks protecting the ARC traffic documents stored inside the STP, including its in use supply of ARC traffic documents, and unclaimed ARC traffic documents, will be housed in a security container meeting the requirements of UL 291, section 13 Security Container, 24 hour service, and be certified as Resistant to Expert Attack per "Test of Currency Security Container - 24 Hour Service," UL 291 section 35, and "Test of Customer Access Panel - 24 Hour Service," UL 291 section 34;
 - b. the STP will be protected by audible door and motion alarms;
 - c. the STP will be protected by electronic door and motion monitoring 24 hours each day;
 - d. the STP must have a resistance to movement equal to 5000 pounds;

- e. the STP shall be capable of retrieving any ARC traffic documents not removed within 30 seconds by a customer; and,
- f. the STP will record the removal by the customer of all ARC traffic documents.

Regardless of security measures undertaken by the Agent, the agent assumes full and absolute liability for any and all damage, expense or loss experienced by ARC, the participating carriers, their officers, representatives, or employees on account of the loss, misapplication, theft or forgery of ARC traffic documents at the STP location and ARC documents in transit to and from the STP location.

9. STP Activation:

- A. Agent's customers shall NOT be able to activate a Type 1 or Type 2 STP. All ticketing must be completed by the attendant through the Host Agent.
- B. Type 3 and Type 4 STP's must be activated either by the insertion of debit/credit cards approved by the Host Authorized Agency Location, or identification cards issued by the Host Authorized Agency Location, OR by the entry of an identification code provided by the Host Authorized Agency Location.
- C. Type 5 and Type 6 STP's must be activated by the insertion of debit/credit cards approved by the Host Authorized Agency Location, or identification cards issued by the Host Authorized Agency Location, AND by the entry of an identification code provided by the Host Authorized Agency Location.
- D. Other means of access, determined by ARC to insure that access is restricted to customers of the Host Authorized Agency Location, will also be considered by ARC.

Regardless of the location, activation of a Type 3, Type 4, Type 5, or Type 6 STP shall require Agent's customers to identify the particular transaction(s) being requested through, for example, identifying the flight/date, passenger name record, or some other distinctive identifier, including the selection of the appropriate itinerary from a display screen. The Agent may also allow customers to pick up ARC traffic documents in batch with the use of a batch identification.

10. A. Agent guarantees that the attended STP's (Types 1-2) will receive ticketing transmissions for the generation of ATB forms and itineraries. The data required to produce the ATB forms, e.g., flight and passenger

SUPPLEMENTARY AGREEMENT 2

coupons, boarding pass forms, and itineraries, are to be generated concurrently with the data required to produce the auditor's, agent's, and, if necessary, the charge forms at a host specified agency location. The information contained in the data record required to produce the travel documents may not be modified and may only be sent to the STP location identified in the data record.

- B. Agent guarantees that the unattended STP's (Types 3-6) will receive ticketing transmissions for the generation of ATB forms and itineraries on demand. The data required to produce the ATB forms, e.g., flight and passenger coupons, boarding pass forms, and itineraries, are to be generated concurrently with the data required to produce the auditor's, agent's, and, if necessary, the charge forms at a host specified agency location. The information contained in the data record required to produce the travel documents may not be modified and may only be sent to the STP location identified in the data record.

11. If the STP does not receive all data via a dedicated circuit, it shall be of such a design that it cannot be activated or caused to print tickets by unauthorized parties or for unauthorized purposes. This can be accomplished by means of one of the following measures:

Validation - The host system will send out an identification code (I.D.) as part of each transmission. The STP will validate the I.D. prior to production of any documents. If the I.D. is invalid, the STP will not be activated.

Call Back Modems - The STP will receive a call which will prompt the unit to disconnect the call and dial out to its only authorized number.

Encryption - Data will be sufficiently encrypted prior to transmission to protect data and equipment from unauthorized use.

Alternative measures will also be permitted, provided that such have been determined by ARC to be capable of meeting the objectives of this section.

12. Agent further agrees to permit, or to obtain authority to permit, access by authorized ARC representatives to the location identified in any STP application incorporated by reference in this Supplementary Agreement, including the storage area of the STP, in order for such representatives to determine compliance with this Supplementary Agreement and with all other applicable provisions of the ARC Agent Reporting Agreement. The representative of any carrier shall also be guaranteed access for the purposes provided for in the ARC Agent Reporting

Agreement. Inspections shall be made upon reasonable notice as circumstances warrant.

13. Agent agrees that all ARC traffic documents assigned to the STP shall be issued in accordance with the terms of the ARC Agent Reporting Agreement, and that a separate sales report for the STP location shall be prepared by the Agent and submitted each week in accordance with the section entitled Reports and Settlements, Defaults and other Financial Irregularities of the ARC Agent Reporting Agreement. ARC agrees that it will process such ARC traffic documents, and Agent agrees that it will settle for such documents, in accordance with the terms of the ARC Agent Reporting Agreement. The Agent further agrees that the provisions of the aforementioned section of the ARC Agent Reporting Agreement shall apply in all respects to its authorized STP locations included on the ARC Agency List.
14. Agent agrees that all notices required by federal regulations, international treaty and/or agreement, carrier tariff and carrier conditions of contract to be given on or with the flight and passenger coupons will be provided to its customers at the STP location.
15. In the event Agent wishes to temporarily remove the STP from the approved location, Agent shall provide prior written notification to ARC. If the Agent wishes to relocate the STP, ARC must be notified and prior written approval must be obtained from ARC. Such notification shall be addressed to: Airlines Reporting Corporation, Change of Agency Location, 1530 Wilson Blvd., Suite 800, Arlington, Virginia 22209. The STP Supplementary Agreement (and ACN) cannot be transferred or sold to a new owner unless it is transferred or sold in connection with an ARC-approved change of ownership of the Agent or of the host authorized agency location.
16. The STP location is solely a ticket delivery location. Other travel-related, retail functions, such as, but not limited to, live, or in-person travel promotion, reservations, counselling and sales, accepting payment or providing refunds for tickets, cannot be performed at this location, except in a Type 1 environment where the attendant is the employee of the business-type concern, the attendant may make reservations on behalf of other employees of the business type concern. The STP location is not precluded from securing an acknowledgement that payment is due the Agent such as the imprint of a credit card and client's signature. Moreover, the host agency is permitted reasonable signage to identify the STP's purpose and location, and reasonable flexibility with regard to serving its clients' needs via telephonic communications, e.g., clients should not be precluded from alerting host to a jam via an on-site telephone.



SUPPLEMENTARY AGREEMENT 2

17. This Agreement shall become effective on or upon such date as evidenced by written notification from ARC to the Agent; provided, however,

A. that the provisions of section 6.F. shall not become effective any earlier than July 1, 1994, and

B. that Agents using transitional automated ARC traffic documents at their STP locations as of June 8, 1993 are not required to convert to automated ticket/boarding pass (ATB) forms as a result of the terms of this agreement.

18. In the event of a termination of the ARC Agent Reporting Agreement with the host authorized agency location for any reason, this Supplementary Agreement shall also automatically terminate, but in any event, termination of this Supplementary Agreement shall occur no later than the effective date of the termination of the ARC Agent Reporting Agreement. Upon termination for any reason, Agent shall provide to ARC and the carriers a full, complete and satisfactory accounting, and shall fulfill all obligations accrued prior to the effective date of such termination.

19. This Supplementary Agreement may be terminated by either ARC or Agent upon prior written notice to the other; however, obligations incurred prior to the effective

date of termination shall not be discharged by the termination, and, upon termination, each party shall fulfill any and all obligations incurred prior to the effective date of such termination.

20. Nothing herein shall affect the authority of any carrier to appoint or terminate its appointment of the Agent to operate the STP location on its behalf. Such termination shall proceed in accordance with applicable provisions of the ARC Agent Reporting Agreement.

21. A breach of any provision of, or obligation under, this agreement, shall constitute a breach of the ARC Agent Reporting Agreement and shall be subject to the provisions thereof concerning reviews of qualifications of, and breaches by, the Agent.

22. The Agent for each calendar year agrees to pay an annual administrative fee for each of its authorized STP locations included on the ARC Agency List, in accordance with the applicable provisions of the Agent Reporting Agreement.

23. Upon termination of this Supplementary Agreement, all unused ARC traffic documents shall be immediately returned, together with all monies due and payable to the carriers and ARC, and a complete and satisfactory accounting rendered.

In order to indicate their concurrence in the provisions contained in this Supplementary Agreement, the parties sign their names, by their respective officials.

AIRLINES REPORTING CORPORATION

By: _____

Effective date: ____/____/____

(Legal Name of Agency)

Home Office Agency Code Number

By: _____
Owner/Officer Signature

Print or Type Name

Print or Type Title

SUPPLEMENTARY AGREEMENT 2

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SUPPLEMENTARY AGREEMENT:

SUPPLEMENTARY AGREEMENT COVERING A SPECIAL EVENT LOCATION

This agreement is entered into by the Airlines Reporting Corporation (hereinafter referred to as "ARC"), a close corporation chartered in the state of Delaware with its principal place of business at 1530 Wilson Boulevard, Suite 800, Arlington, Virginia 22209-2448, on its own behalf and on behalf of the carriers which have executed, or hereafter execute, the ARC Carrier Services Agreement (hereinafter referred to as "carrier" or "carriers"), and the ARC listed travel agent with its principal place of business as shown below (hereinafter referred to as the "Agent"):

Home Office Agency Code No:

Legal name of agent:

"Doing business as" (dba):

Street Address:

Suite: _____

City: _____ State: _____

Zip: _____

This agreement supplements the ARC Agent Reporting Agreement entered into by ARC and Agent, including any and all amendments or revisions thereto. Moreover, the provisions of the ARC Agent Reporting Agreement, including any and all amendments or revisions thereto, are incorporated into this Supplementary Agreement by reference.

As used in this Supplementary Agreement—

SPECIAL EVENT LOCATION (SEL) is a branch office location whose sole function is to assist the Agent in serving the travel needs of its customers at special events (such as conventions and major sporting events) of limited duration i.e., four weeks or less.

The parties state that:

1. Agent wishes to serve the travel needs of its customers a special events, (such as conventions, major sporting events, client off-site conferences, etc.), of limited duration, i.e., four weeks or less.
2. Agent affirms the representations made in its application to ARC, which is incorporated into this Supplementary Agreement by reference.
3. ARC finds that, subject to the conditions described in the Supplementary Agreement, Agent should be provided an opportunity to operate a Special Event Location (SEL).

In consideration thereof, the parties agree as follows:

4. The SEL shall be (1) assigned an agency code number (2) separately listed on the ARC Agency List (3) and cross-referenced to its home office agency location. The responsibility for the SEL, including the delivery and removal of ARC traffic documents to and from such location, the security and maintenance of ARC traffic documents and airline and agency identification plate assigned to the SEL's agency code number, the issuance of ARC traffic documents at the SEL in accordance with all rules, regulations, and instructions of ARC and the carriers, and the weekly reporting and settling for all ARC traffic documents issued at the SEL, shall be the Agent's in accordance with the ARC Agent Reporting Agreement, as it may be modified by this Supplementary Agreement.
5. ARC will deliver to the Agent at its home office agency location all ARC traffic documents and an agency identification plate intended for use at the SEL. Alternatively, and with respect solely to ARC traffic documents for use in an SEL, the Agent, in lieu of its home office agency location, may designate in the Notice of Inauguration of Service at Special Event Location another of its authorized agency locations (but not an STP or SEL location) to receive ARC traffic documents.

SUPPLEMENTARY AGREEMENT 3

Airline and agent identification plates and ARC traffic documents shall be retained by the home office agency location (or the authorized agency location designated in the Notice of Inauguration of Service at Special Event Location), prior to use at the SEL. Agent assumes full responsibility for delivery of ARC traffic documents to and from the SEL, and the safeguarding of the ARC traffic documents at the SEL.

6. With respect to ARC traffic documents and identification plates assigned to the SEL(s) and maintained by the home office agency location, or the designated authorized agency location, Agent affirms that the security measures at such locations shall comply with those detailed in attachment B of the ARC Agent Reporting Agreement, and affirms its obligations under sections XI, XII, and XIII of the ARC Agent Reporting Agreement. With respect to ARC traffic documents on the SEL premises and ARC traffic documents which are transported to and from the SEL, however, the Agent, regardless of any security measures taken, assumes full and absolute liability for any and all damage, expense or loss experienced by any carrier, its officers, agents, or employees on account of the loss, misapplication, theft, or forgery of such documents. Moreover, unless requested of, and approved by, ARC, ARC is not obligated to deliver more than, and the Agent guarantees that no more than 1 shipping unit of manual traffic documents and 1 shipping unit of transitional automated tickets (TATS) or 1 shipping unit of automated ticket/boarding pass forms will be transported to the SEL. All unused ARC traffic documents will be returned to ARC's ticket distributor by Agent within 3 business days of the cessation of the special event (or within 3 business days of cessation of the last consecutive special event—see section 11). Agent further guarantees that traffic documents and identification plates not in use at the SEL during the pendency of the special event shall be stored in accordance with attachment B of the ARC Agent Reporting Agreement.
7. The Agent undertakes to guard against any loss of ARC traffic documents through casual pilferage. The Agent represents that its in-use supply of ARC traffic documents at the SEL will be completely enclosed in a steel security container, or an acceptable equivalent thereof (e.g., a container made of solid wood of at least 3/4" thickness). The container will be equipped with a locking mechanism which must be locked whenever ARC traffic documents are enclosed therein. The container should also be chained, fastened, or otherwise secured to a fixed or anchored object, e.g., wall or table. NOTE, HOWEVER, THAT REGARDLESS OF SECURITY MEASURES UNDERTAKEN BY THE AGENT, THE AGENT ASSUMES FULL AND ABSOLUTE LIABILITY FOR ANY AND ALL DAMAGE, EXPENSE OR LOSS EXPERIENCED BY ARC, THE PARTICIPATING CARRIERS, THEIR OFFICERS, REPRESENTATIVES, OR EMPLOYEES ON ACCOUNT OF THE LOSS, MISAPPLICATION, THEFT OR FORGERY OF TRAFFIC DOCUMENTS AT THE SEL AND TRAFFIC DOCUMENTS IN TRANSIT TO AND FROM THE SEL.
8. The Agent further agrees to permit, or to obtain authority to permit, access by authorized ARC representatives to the SEL location in order for such representatives to determine compliance with this Supplementary Agreement and with all other applicable provisions of the ARC Agent Reporting Agreement. The representative of any carrier shall also be guaranteed access for the purposes provided for in section XIV of the ARC Agent Reporting Agreement.
9. The Agent agrees that all ARC traffic documents assigned to the SEL(s) shall be issued in accordance with the terms of the ARC Agent Reporting Agreement, and that a separate sales report for the SEL(s) location shall be prepared by the agent and submitted each week the SEL is active in accordance with section VIII of the ARC Agent Reporting Agreement. ARC agrees that it will process such ARC traffic documents, and Agent agrees that it will settle for such documents, in accordance with the terms of the ARC Agent Reporting Agreement. The Agent further agrees that the provisions of section VIII of the ARC Agent Reporting Agreement shall apply in all respects to its authorized SEL locations included on the ARC Agency List.
10. The Agent agrees that individual(s) meeting the personnel standards of section IV.B of the Agent Reporting Agreement shall staff each of the SEL locations. The individuals assigned to the SEL location(s) may be rotated by the Agent, provided compliance with section IV.B is maintained at all times at each of the Agent's authorized agency locations, including the SEL.
11. The Agent agrees to provide ARC with a minimum of three weeks advance notice, in writing, of its intention to operate a specific SEL location, and shall also provide ARC with notice, in writing, of the cessation of such operations simultaneously with the return to ARC's ticket distributor of all unused ARC traffic documents which is to occur within 3 business days of the cessation of the special event. If, however, the Agent operates two or more consecutive SELs within a 6 month period following the above-referenced notice, the Agent agrees to return all unused ARC traffic documents to ARC's ticket distributor within 3 business days of the cessation of the last consecutive special event within the 6 month

SUPPLEMENTARY AGREEMENT 3

- period, and to simultaneously provide ARC with the written notice of cessation of operations.
12. In the event of a termination of the ARC Agent Reporting Agreement with the home office agency location for any reason, this Supplementary Agreement shall also automatically terminate², but in any event, termination of this Supplementary Agreement shall occur no later than the effective date of the termination of the ARC Agent Reporting Agreement. Any termination hereunder shall be subject to a full, complete and satisfactory accounting by Agent to ARC and the carriers of all obligations accrued prior to the effective date of such termination.
 13. This Supplementary Agreement may be terminated by either ARC or Agent in accordance with this agreement upon prior written notice to the other, subject to the fulfillment by each of the parties of all obligations accrued prior to the effective date of such termination.
 14. Nothing herein shall affect the authority of any carrier to appoint or terminate its appointment of the Agent to operate the SEL location on its behalf. Such termination shall proceed in accordance with subsection XXIX.E of the ARC Agent Reporting Agreement.
 15. A breach of any provisions of, or obligations under, this Agreement, shall subject the Agent to the unilateral termination of this Supplementary Agreement by ARC, subject to the Agent's right to appeal the termination to the Travel Agent Arbiter. Additionally, a breach of any provision of, or obligation under, this Agreement, shall constitute a breach of the Agent Reporting Agreement, and shall be subject to the provisions thereof concerning reviews of qualifications of, and breaches by, the Agent.
 16. The Agent for each calendar year agrees to pay an annual administrative fee for each of its authorized SEL locations included on the ARC Agency List, in accordance with the provisions of section XVI of the Agent Reporting Agreement.
 17. Upon termination of this Supplementary Agreement, all unused ARC traffic documents and all airline identification plates shall be immediately returned, together with all monies due and payable to the carriers and ARC, and a complete and satisfactory accounting rendered.
 18. ARC specifically reserves its right to amend this Supplementary Agreement.

ARC Form 960407

1. The first two digits will be the number code assigned to the state of the home office location, e.g., 05 = California. Despite the intended movement of the SEL, its code number will remain constant.

2. Please note that the ownership of the SEL cannot be transferred independently of the transfer of the HOL ownership.

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RESERVATIONS

Each carrier has its own method of controlling seats on an aircraft. Carriers operate on the principle of selling seats on a first come, first serve basis. Each reservation system is designed to give an immediate yes or no answer in regard to available seats. When making a reservation, whether it is for the general public, an agent, with another carrier or between their own offices, every carrier must have certain basic information.

Code of Reservations Ethics

To guarantee smooth handling of reservations and to protect the traveling public, agents and the carriers, the following simple rules must be adhered to at all times:

Adhere to the standard reservations procedures used by the carriers.

Never make duplicate reservations for the same passenger in order to protect his indecision. Never ticket a passenger for multiple reservations when it is evident that he can use only one of the flights reserved.

Always request all reservations for a specific itinerary.

Always attempt to establish a positive contact for the passenger, and inform the carrier concerned accordingly.

When a passenger cancels his reservation, such canceled space must be released immediately. When a passenger desires to change his itinerary, ensure that all space and other services not required are canceled at the time the new bookings are effected.

Strictly adhere to all ticket time limits established by the carrier. Issue tickets strictly in accordance with the status of each flight leg involved. Never issue tickets showing confirmed space unless confirmation has been received from the carrier concerned.

Accurate and complete records must be kept covering all reservations transactions with carriers. A printed copy of the PNR should have all the information required. Manual records, must include flight numbers, class and date of travel, together with the status of segment(s) and ticketing, the name and initials of passengers and their contact.

Immediately report in the prescribed manner all deposits collected or sales made.

Keep all dealings in a business-like vein, conforming to all rules and regulations. Keep in mind at all times the need for correct and efficient handling of each transaction to avoid inconvenience to the customer, yourself or the carrier.

Making a Reservation

Regardless of how the reservation is made, via phone call to the Airlines Reservation Office, through your CRS Supplier, with a Personal Computer, etc., there is certain information that is always necessary in order to create a reservation.

Itinerary Information

- Originating City
- Destination City
- Date of Departure
- Number of Seats desired
- Class of Service

Itinerary information allows specific flights to be booked by Flight number

Passenger Information

- **Name of Passenger(s)**
(Last Name, First Name or Initials, Title)
If passengers with different last names are traveling together, both names must be listed.
- **Contact Number**
A telephone contact is required for each passenger. Preferably both a home number and a business contact if applicable. You should get as many contact numbers as possible should you have to contact your client while he is on his trip.
- **Received From Information**
This is the name and contact of the person making and/or handling the reservation. Any changes made to a reservation must have a Received From entry in order to ascertain at all times who made or authorized the changes.

Duplicate Reservations

All carriers refuse the making of more than one reservation for the same passenger. By this we mean booking two reservations for one passenger to cover the same itinerary.

Incomplete Confirmation and Alternate Reservations

There are times when your prospective passenger cannot be confirmed to his ultimate destination. When this occurs, the carrier will list the passenger as requesting space. Clearance of the request status to confirmed status may happen anytime prior to the flight departure.

When passengers are booked as request status for a specific flight, alternate reservations should be confirmed for the same segment. Once space is cleared on the requested flight, the alternate flight reservation must be canceled.

Schedule Changes

When an agent contact is included in the passenger name record and the carrier has, with reasonable advance notice communicated the schedule change information to the agent, the agent will assume responsibility to make a good faith effort to communicate the schedule change information to its clients.

Cancellation of Reservations

When a passenger informs you to cancel his reservations, it is mandatory that you immediately cancel his space. You may not use this space for another client even though he desires an identical itinerary, unless the carrier involved approves such a transfer.

Conditions of Carriage

All carriers have specific rules and regulations regarding their conditions of carriage. Remember, this section provides guidelines only. Check with the individual carrier for the most up to date guidelines.

Children's Fares

A child between the ages of 2 - 11, if accompanied by an adult or another child of 12 or older, may be carried at less than the full published adult fare. Infants, under 2 years of age, will be permitted to ride free of charge when accompanied by a fare paying adult, providing they do not occupy a separate seat.

Unaccompanied Minors

The majority of carriers will accept unaccompanied minors 5 years of age or over. There are certain exceptions to this statement. Check with the individual carrier to ensure you are in compliance with all the regulations and restrictions.

Physically Challenged

When booking a physically challenged passenger, immediately advise the carrier of the passenger's condition. This advance notice enables the carrier to make necessary accommodations to ensure that the passenger travels with minimum inconvenience.

Restricted Passengers

Certain carriers refuse to transport prisoners and/or passengers with visible sidearms. When making reservations for passengers of this nature, ensure that all carriers in the itinerary will accept such passengers and inform the passenger of any necessary documentation he must provide upon check-in.

Carriage of Pets

Rules regarding the carriage of animals on passenger aircraft, vary by carrier and with the type of equipment used. Some carriers will allow the carriage of small household pets such as cats and dogs, inside the passenger cabin, providing the animal is in a case suitable for carriage. Other carriers will only permit animals to be checked as baggage, in the belly of the aircraft. Check with the individual carrier to ensure that your client can meet the restrictions imposed by the specific carrier.

Animals trained to assist the physically challenged (i.e., guide dogs) are usually permitted to accompany the passenger inside the cabin. Once again, check with the specific carrier, as there are frequently restrictions as to which rows of seats the owner and animal may occupy.

Reporting Interline Space & Transferring the Passenger Name Record (PNR).

The Airline Reservations Office, or the CRS supplier in control of the passenger, when securing space for connections, is required to adhere to the minimum connecting times published in official airline guides. Bookings received from travel agents/CRS Suppliers may be assumed to be made in accordance with minimum connecting times.

Transactions concerning through space on interchange flights (a flight that gives passengers the benefit of a through-service and which is operated by two or more airlines from the boarding point to the deplaning point using the same aircraft) must be handled with the airline operating the flight from the passenger's boarding point.

It is necessary to provide PNR information to only one office of each carrier participating in the itinerary for all segments of space on that carrier. When more than one participating carrier reports to the same pre-designated address, send only one message.

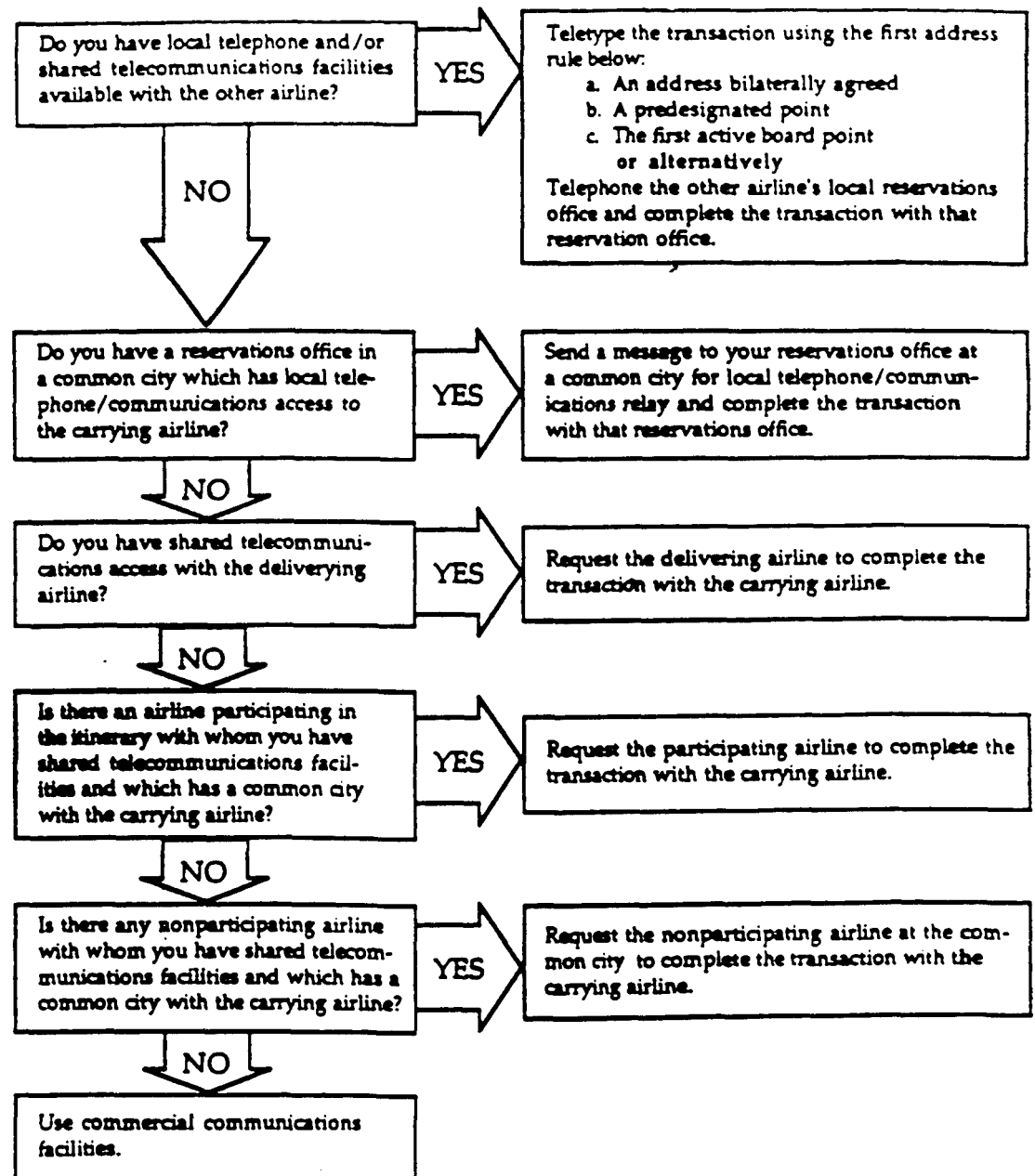
For current date bookings, when a passenger calls from one city and originates at that city on another carrier, if it is necessary for the booking carrier or CRS Subscriber to telephone the originating carrier to obtain space, the originating carrier may request and the booking carrier or CRS Subscriber shall provide, PNR information during that telephone call.

If a passenger is ticketing with another carrier participating in the itinerary, the booking carrier or CRS Supplier shall give the complete itinerary, customer contact, and ticketing information to the carrier who will issue the ticket.

If a passenger is originating locally on another carrier, the passenger usually will contact directly the carrier on which he will originate, or he may ask another carrier or CRS supplier to obtain the space for him. The booking carrier or CRS Supplier will process the transaction and will include contact information in the booking message to the originating carrier.

When the booking is originated by a CRS Subscriber, the contact information shall include that of an automated travel agent or customer.

Diagram of Rules for PNR Transfer



interface/transaction applications. The company has worked with a number of cruise lines and is working with Maritz Travel on a related project.

"We see great growth in the online markets, and we have real synchrony between these three areas of focus," said Rittmanic. TMC will either lease or sell their software to clients, while some prefer to outsource everything.

Mark Rittmanic 630-572-342

23. AMERICAN TRANS AIR TARGETS CRS ABUSES BY AGENCIES

American Trans Air has sent all travel agents an amended ARC agreement in an effort to crack down on what the airline terms "excessive" CRS fees.

The new agreement outlines a number of prohibited booking practices, which if violated will subject the agency to possible debit memos, loss of their ATA plates, suspension of ATA travel privileges, and negative referrals to ARC and/or CRSs. Bookings that ATA says are now prohibited include: duplicate bookings (either passive, active or a combination thereof, including duplicate bookings in multiple CRSs); passive segments that do not have a corresponding booking in the carrier's host system and are not ticketed directly by the agent; speculative bookings in anticipation of a sale where no confirmed passenger exists; fictitious bookings; failure to cancel bookings immediately following notice of intent not to travel; and churning or repeatedly rebooking and cancelling segments. In a letter to agents, ATA director - consumer sales and distribution Lyn Piccirillo says that "although we have also worked aggressively with the CRSs and have subscribed to 'cost control' enhancements offered in each of the systems, fees have continued to escalate to a point which jeopardizes our ability to maintain our current participation level."

ATA was the first airline to extend the 24-hour ticketing rule to 72 hours, hoping that action would help ease the book-cancel-rebook problem. Piccirillo notes that the results of

this program "were modest at best."

ATA said it has paid booking fees of almost \$20 million to the four major CRSs since it became a full CRS participant in July, 1994. ATA joins a number of other carriers, including most of the majors, in cracking down on CRS abuses by travel agents. In addition to warnings from the airlines themselves (and some have already begun issuing debit memos), the American Society of Travel Agents is also working on a campaign to help educate agents about the costs of their non-valid bookings.

24. CLASSIFIED

Sales

Electronic Distribution Team

Trans World Airlines, with corporate offices in St. Louis, is seeking a motivated individual to join our Electronic Distribution team. The successful candidate must possess the following:

Industry experience in GDS distribution and functionality. A working knowledge of interactive communications and Internet technologies. Technical and marketing expertise in product development for GDS systems and Internet. Proficiency with Worldspan.

TWA offers excellent benefits and worldwide travel privileges. Qualified applicants should forward their resumes to:

TRANS WORLD AIRLINES

Dept. DS

P.O. Box 20126

Kansas City, MO 64195

EOE M/F/D/V

For more information, please call 1-888-GARRETT or 301-738-7927. Or, fax us at 301-738-7896. Or, you may e-mail us at itreport@aol.com. Our address is 210 North Adams Street, Rockville, MD 20850.

carriers in the industry. Therefore, our proposed rule would not apply to instances where CRS's are used by ticket agents who hold themselves out as agents of selected carriers, nor does it apply to CRS's used by persons other than ticket agents. Thus, the rule would not apply to carriers' internal reservation systems or systems offered only to commercial accounts for their own use.

G. Exceptions § 255.9

We also propose two limited exceptions to the CRS rules.

1. *Carriers refusing to pay non-discriminatory fees.* The first exception deals with carriers that might refuse to agree to pay the non-discriminatory fees required by our rules. Some carriers today pay relatively low fees to system vendors. Usually these are carriers whose presence is considered necessary to make a system acceptable to agents, and they may be also carriers that vendors do not perceive to be strong air transportation competitors. It has been suggested that because of their importance to agents, these carriers may have some leverage to refuse to pay non-discriminatory fees which are likely to be higher than the fees that they currently pay.

Some parties have argued that system vendors should be permitted, if not required, to drop such carriers from their systems. They argue that otherwise, this group of carriers will simply refuse to negotiate in good faith and get a free ride. Other parties argue that total removal from the system would be inconsistent with the consumer protection purposes of our rules. Agents would be obliged to abandon the CRS entirely for another information source in order to make a booking on these excluded carriers. They suggest that vendors be permitted to retain bias in their systems against such carriers with full disclosure to the agent. While the biased information would be less accurate, at least the agent could still use the CRS to book on the affected carrier.

We agree that any rule should permit system vendors to give less preferred treatment to carriers that refuse to pay non-discriminatory fees. Ideally, the rule would be fashioned in such a way as to minimize the incentives of participating carriers to hold out for a free ride. Unfortunately, incentives will vary among systems and participating carriers, and with time. A precise weighing of these incentives would be difficult, if not impossible. System vendors, through the ongoing negotiating process, will be in a much better position to weigh and evaluate the

business motivations of participating carriers.

Therefore, our proposed rule would not apply to CRS services offered to carriers that do not enter into participation agreements, consistent with the proposed rule. This leaves the CRS owner discretion to adjust services offered to non-contributing carriers. Depending on the circumstances, it will have the option of removing a carrier from its system entirely, maintaining its schedules in its display but cutting off ticketing capability, or biasing its display against that carrier. However, in no case could a CRS owner give superior service to a carrier that refused to pay non-discriminatory fees.

We recognize that there is some risk in giving too much discretion to system vendors. It may well be that a participating carrier is so important that the vendor will continue to carry it on its system without penalty, even when it refuses to bargain in good faith. To require specific action would, however, eliminate the flexibility that we consider to be desirable in dealing with unwilling carriers. Moreover, any inclination to give non-contributing carriers the rights given participating carriers will be tempered by the knowledge that such an action creates the risk of being found in violation of the prohibition on discriminatory fees.

2. Foreign air carriers.

The second exception deals with foreign carriers. CRS owners in particular have pointed out that many foreign carriers discriminate against U.S. carriers in their home country. In particular, foreign permit holders that operate CRS's in their home countries apparently discriminate heavily against U.S. international carriers in their displays, often more heavily than system vendors discriminate against their competitors in the U.S. We agree that U.S. carriers should not be forced to give up their advantage against carriers that operate discriminatory CRS's abroad without any assurances that those carriers will give up like advantages in their home countries.

The International Air Transportation Competition Act of 1979 (IATCA) - established definite public policy in this case. We are directed to strengthen the competitive position of U.S. carriers to at least ensure equality with foreign air carriers (49 U.S.C. 1302(12)), and to pursue the elimination of discrimination and unfair competitive practices faced by United States carriers in foreign air transportation in developing negotiating policy. (49 U.S.C. 1502(b)(9).) In addition, IATCA authorized the Board to take retaliatory action if we find that a

foreign carrier or its government discriminated against our carriers.

—This strong concern for assuring equal competitive opportunities for U.S. carriers vis-a-vis foreign carriers means that here, we must balance the policies of section 411 with other policies in the Act.

As outlined above commenters have suggested two solutions. The first, applying the CRS rules only to the sale of domestic air transportation, represents too great a sacrifice of the interests embodied in section 411. While the degree of competition in foreign air transportation varies widely from country to country, there is effective competition in many foreign markets. The harm to competition and consumer interests from bias, discriminatory fees and other practices covered by the proposed rule would be just as great in those foreign markets as it is in domestic air transportation. A general exception for foreign air transportation would deny the benefits of the rule to "innocent" air carriers, foreign air carriers and consumers of foreign air transportation because certain foreign carriers operating CRS's happen to bias their systems.

The second alternative mentioned by the commenters goes much further in fulfilling the policies of section 411. Therefore, we propose a second exception for foreign carriers that operate systems that discriminate against U.S. carriers. The exception would state that the protections of the rule do not apply to services offered to foreign air carriers that operate systems that discriminate against any U.S. carrier in their displays. We are not attempting to force foreign carriers to modify their own practices regarding CRS's in their home countries. Rather, we are simply stating that if foreign carriers expect to get the benefit of fair play in CRS's in the U.S., they must be prepared to offer the same benefits to U.S. carriers in their own countries. Foreign carriers that do not operate CRS's at all would not be subject to the exception, and they would have the full benefits of the Board's rule. The exception would not allow system vendors to give preferential listing to any foreign carrier.

Our proposal was intentionally fashioned to be as narrow as possible to meet the problem of foreign carrier practices with respect to U.S. carriers. Any exceptions to the rule diminish its efficacy in reducing consumer deception, and maintaining competition in air transportation. The proposed exception is designed to minimize this loss of efficacy. In addition, it is

Services, Hewins Travel Consultants, the Long Island Travel Agents Association, Overland Stage Travel, Pegasus Travel, Sunbelt Motivation & Travel, a group of fifteen major travel agencies, Thomas Cook Travel, Travel Facilitators, Travel Consultants, and Woodside Travel Management Corporation.

In their comments, Justice, all of the U.S. and foreign airline parties except American and United, the two smaller U.S. systems (System One and Worldspan), ECAC, the two travel agency trade associations, and several travel agencies argue that CRS rules are essential for preserving airline competition and that the current rules must be strengthened significantly to stop various alleged anti-competitive practices of the CRS vendors. The two largest vendors, American and United, and Covia, the CRS managed by United, oppose any significant strengthening of the rules and suggest that no CRS rules are necessary (we will refer to these three commentors as the major vendors). The major vendors' position receives support from CEI and Andrew Klait. Several of the travel agency parties oppose all or some of our proposed rules.

We have amended the rules to maintain the current rules for an additional period to give us time to analyze the issues and prepare this final rule. 55 FR 53149 (December 27, 1990); 56 FR 60915 (November 29, 1991); 57 FR 22843 (May 29, 1992).

We are incorporating into this proceeding a rulemaking petition filed by American in Docket No. 47782, since it concerns a CRS display issue discussed in the NPRM. American seeks a proceeding for adopting a rule that would restrict the use of elapsed time in ranking flights shown in CRS displays.

II. Summary of Decision

We are readopting the current rules and strengthening them in several respects because of the need to prevent the vendors from using their control of the systems to substantially reduce airline competition and to deny travel agents (and thus the travelling public) complete, accurate, and impartial information on airline services. In considering the extent to which we will regulate CRS operations, we have examined both the benefits likely to be provided by proposed rules and the burdens and costs likely to be imposed by such rules. We are adopting only those rules that will produce public benefits significantly outweighing their costs. We are also avoiding regulations that would force us to engage in an

unnecessarily detailed oversight of CRS operations.

We recognize that the systems enable agencies to operate more efficiently and provide better service for their customers, as shown by the almost universal use of CRSs by travel agencies. We also recognize that the systems make it easier for carriers to provide information and booking capabilities to travel agents. And we appreciate that the systems' owners have made large investments in developing the systems and are entitled to profit from their innovations. Despite these facts, we find it necessary to regulate some aspects of CRS operations because the systems' benefits can be offset by abuses that would reduce airline competition and undermine the ability of travelers to find the airline service that meets their needs.

We conclude that CRS rules remain essential because each of the carriers operating the four CRSs may have the power and incentive to use its system to prejudice the competitive position of other carriers in ways that will raise consumer costs and reduce the level of airline service. Because market forces may not effectively prevent such injuries, some regulations are necessary. Our conclusion is consistent with the analysis presented by Justice in this proceeding and with the earlier findings of the Board.

The vendors have the power to reduce airline competition and the ability of consumers to find the best airline service due to several features of the airline, travel agency, and CRS businesses. First, carriers rely heavily on travel agencies for the marketing of airline services—and travel agencies hold themselves out to the public as neutral providers of airline information and tickets. Because of the efficiencies of the travel agency distribution system, no carrier could practically create an alternative distribution system. Secondly, travel agencies rely heavily on CRSs to find out what airline services are available and to book seats for customers—and most agencies use only one system to carry out these functions. Each vendor thus largely controls the information seen by its subscribers on airline services. If a carrier's services are not displayed and bookable through a system, that carrier will receive few bookings from the agencies subscribing to that system. Since the profitability of a carrier's service in any market can be radically changed by the addition or loss of a few passengers on its flights in that market, no carrier can afford to lose sales from any significant group of agencies, so

each carrier must participate in each system.

Each vendor can injure its competitors by omitting or hiding information on their services, thereby depriving them of passengers, and by raising their operating costs by charging supracompetitive fees for participation in its CRS. The public loses, both because such practices will reduce airline competition and because travelers are unable to learn efficiently which airline services best meet their needs.

As a result, we find it necessary to maintain the current rules and to strengthen them in several respects. Rather than dictate in detail how the systems must operate, we have chosen to rely in large part on a rule that we expect will open up competition and promote innovation and efficiency. That rule will prevent vendors from denying their subscribers the option of using hardware and software acquired from independent firms in conjunction with CRS services and the option of using agency-owned CRS terminals to access other systems and databases. Third-party hardware and software will enable agencies to operate more efficiently and obtain better information and transaction capabilities for their customers. The rule also creates the opportunity for new firms to offer travel databases to agencies and thereby break each vendor's current control over the airline information seen by its subscribers. In particular, this rule will enable carriers to set up direct links between their internal reservations systems and travel agencies and thereby create an alternative means of obtaining bookings without paying booking fees. The carriers' use of such direct links should limit the vendors' ability to charge supracompetitive booking fees.

We have also determined that some other changes to the existing rules are needed. In our consideration of rule proposals, we have followed the principle that only regulations whose benefits outweigh their costs should be adopted. We are therefore not adopting such proposals as those requiring vendors to make large expenditures for eliminating architectural bias, nor are we allowing booking fees to be set through cumbersome ratemaking cases or trying to determine the best possible method for constructing CRS displays of airline services. Our rules will provide more room for carriers to compete on the basis of price and service without denying the vendors the legitimate benefits of their investments and without requiring detailed management of CRS operations.

would be no guarantee that the decisions on the different vendors' fees would be consistent. No party has given any reason for believing that an arbitrator could decide the ratemaking issues better than we could.

While we plan to watch booking fee developments, we are unwilling to impose the rule suggested by Varig requiring vendors to publish their costs. Varig's proposal could provide new information, since no vendor has provided such information in this proceeding. However, we have found from experience that the vendors' figures on profit, loss, and expenses provide little, if any, guidance unless adjusted to reflect general accounting principles and to provide identical treatment for each system's financial results. Given the amount of work involved in that task, requiring vendors to provide cost information does not seem useful. We also prefer not to compel a private firm to publish detailed financial statistics unless there is a clear benefit from doing so, since such a disclosure requirement would help its competitors and be contrary to the usual rights of private firms to keep detailed financial information confidential.

6. The Parity Fee Proposal

Alaska and America West support another proposed limitation on booking fees. Under their proposal, the total payments received annually by a vendor from participating carriers could not exceed the total payments received from subscribers. While we recognized in the NPRM that this proposal had some attractive features (e.g., it would not require ratemaking and would give vendors the discretion to vary their fees for different services), we concluded that such a rule would create an accounting nightmare. We noted, for example, that the vendors' receipts from agencies covered their subscribers' use of the systems to book non-airline services, such as hotels and rental cars, and that some system owners (e.g., Northwest and TWA) partially subsidized the CRS payments made by their system's subscribers. We noted that system owners could also offset the rule's limits by increasing the commissions paid their subscribers. 56 FR 12618.

In addition, the proposal would shift a substantial share of CRS costs from participating airlines to travel agency subscribers.

The parties supporting this proposal claim that the difficulties identified by us are not serious enough to make the proposal unworkable, but the proposal would require us to closely examine each system's receipts to ensure that the

systems were not evading the limitation on carrier fees. We think such an audit of each system's income and the sources of agency payments would be overly complex and time-consuming. We therefore think that this proposal is not practicable. In addition, the proposal that carriers pay no more than half of the total CRS costs is itself somewhat arbitrary. ASTA Reply at 14.

The Orient airlines make a similar proposal, which has similar flaws.

7. Air Canada's Proposal

Rather than regulate the amount of fees, Air Canada proposes that we bar any system owner from initiating a fee increase if it receives more booking fees than it pays out. As a practical matter, such a rule would restrict only Sabre, since American is the only carrier whose fee receipts exceed its payments. We are unwilling to adopt Air Canada's proposal, which was not raised until Air Canada filed its reply comments, since other parties have not had an opportunity to comment on it.

8. Transactions Covered by Fees

According to a number of carriers, the vendors have also abused their power by charging carriers for transactions for which no fee could be fairly charged. In general these carriers contend that a participating carrier should be charged only for transactions that produce new bookings for it. They argue, for example, that we should stop vendors from charging booking fees when a traveller who made a reservation directly with a carrier then has a travel agent issue the ticket through a CRS. Some carriers also object to Covia's new fee structure. Although Covia established a lower fee for each booking, it created fees for such transactions as cancellations and schedule changes. In response the vendors argue that the cited transactions—whether or not they produce new revenue for the carrier—require processing by the system and so are legitimately subject to booking fees. See, e.g., Worldspan Reply at 26-27.

When this issue was raised before, we tentatively concluded that we should not try to define which transactions would be subject to fees. We recognized that the vendors' apparent arbitrary power to determine what types of transactions would incur a fee liability further demonstrated the vendors' ability to ignore the wishes of participating carriers. Nonetheless, we also noted that vendors might have legitimate reasons for charging fees for transactions other than new bookings. 56 FR 12618.

Although a number of carriers urge us to limit the kinds of transactions subject

to fees, we remain unwilling to take such action. In essence, their proposal would require us to determine on some basis when fees could be legitimately charged by a vendor. The customary approach to such questions for public utility regulation would involve a complex and partly arbitrary synthesis of cost analysis, equity, and the ability of different parties to pay charges. Deciding which transactions should or should not incur fees would require a similar analysis, which we are unwilling to do.

9. Booking Fee Bills

A related issue concerns the alleged inadequacy of the booking fee bills delivered to participating carriers by the vendors. In their comments on our ANPRM, several carriers complained that the vendors refused to provide carriers with enough information in a readily usable form to enable carriers to verify the accuracy of the bills without undue expense. We proposed to require vendors to provide detailed billing information, and we asked whether the rule should specify the type of information to be required and the media on which bills should be sent. We noted that a vendor could evade the prohibition against discriminatory booking fees by imposing false charges on carriers, which would be feasible if carriers could not conveniently audit bills. 56 FR 12619.

Northwest, Alaska, America West, a number of foreign carriers, and ECAC support our proposal and generally contend that we should specify the information to be included in bills. Several carriers assert that the vendors' continuing refusal to provide billing information on magnetic media makes the auditing of the bills unduly expensive. See, e.g., Alaska Comments at 29. Varig, for example, alleges that correcting a half million dollar set of billing errors cost it thousands of dollars because of the cost of enlarging the bills' microfiche information and copying it on paper. Varig Reply at 5. Northwest provided more detailed evidence on the inadequacy of current bills, which, among other things, makes it very difficult for a carrier to identify fictitious bookings made by an agency to satisfy a productivity pricing contract with its vendor. NW Comments, App. D at 1-2. In January 1991 Covia sent Northwest a bill for 1 million bookings and over 440,000 cancellations supported by 51 microfiche cards totalling over 24,000 pages that provided only summary data on each transaction. For example, the transactions are not listed by the agency making the booking or cancellation. NW

enforce. We have accordingly determined not to adopt it.

6. Rollover Contracts

After the current rules took effect, vendors began imposing rollover clauses—clauses that cause a contract to be automatically renewed for an additional five-year term whenever certain events happen (usually the agency's acquisition of additional CRS equipment or its opening of a new location)—in many subscriber contracts. The clauses became controversial, since they further restricted subscribers' ability to switch to another CRS. Because of the controversy, vendors agreed not to enforce the clauses, although they apparently remain in many subscriber contracts. Marketing Report at 86, 88; ASTA Comments at 5.

In the NPRM we proposed to proscribe rollover clauses. 56 FR 12624. Our proposed rule received the support of Worldspan (Comments at 31), Woodside (Comments at 8), and ASTA (Comments at 5). They agree that rollover clauses serve no legitimate purpose and should be prohibited. No one has tried to defend rollover clauses.

We will adopt our proposal. The use of rollover clauses nullifies the Board's determination that subscriber contracts should not have a term longer than five years, and the clauses are not needed to protect a vendor's legitimate interests. If an agency opens a new location or adds CRS equipment, the vendor can refuse to provide the new services and equipment desired by the agency unless the agency agrees to pay the vendor enough for the added equipment and services.

7. Minimum Use Clauses

Soon after the Board adopted the current rules, the three largest vendors began requiring subscribers to accept minimum use clauses in their contracts. Minimum use clauses make an agency's failure to meet certain minimum booking levels a breach of contract, thereby obligating the agency to pay damages calculated according to the liquidated damages provisions. Because the liquidated damages include lost booking fees, a breach will make the subscriber liable for a larger amount of damages. Minimum use clauses accordingly discourage agencies from making significant use of more than one system. The clauses, moreover, seem designed to protect the vendor's subscriber base from competition rather than to ensure that the vendor receives adequate compensation for the services and equipment provided the subscriber. 1988 CRS Study at 124-128; Marketing Report at 87-88.

We accordingly proposed to prohibit minimum use clauses. 56 FR 12624. We also doubted at that time the value of allowing vendors to increase the fees due from subscribers when the latter did not meet specified minimum booking levels (such pricing is called productivity pricing). The draft rule would have prohibited productivity pricing as well. *Ibid*.

While most commenters supported our proposal to eliminate minimum use clauses, almost all parties commenting on the issue defended productivity pricing and asserted that it should be allowed. Consequently, while we will adopt the proposal on minimum use clauses, the comments have persuaded us that productivity pricing is economically efficient and should be allowed to continue. In this section we will discuss our decision to finalize the proposed ban on minimum use clauses and in the next section our changed decision on productivity pricing.

While productivity pricing encourages efficiency, minimum use clauses are not reasonably tailored to encourage productive usage of a system. Instead, in view of the severe damages a subscriber will incur if it breaches the clause (and thus breaches its contract), these clauses operate as a penalty giving the agency little ability to limit its usage of a system. Worldspan, Delta, System One, ASTA, ARTA, Woodside, and Hewins support the proposed proscription of minimum use clauses. The American Automobile Association states that prohibiting minimum use clauses would be acceptable, and American does not oppose the proposal. Covia, on the other hand, defends them.

We cannot agree with Covia's defense of the clauses. First, Covia plainly errs in saying that its clause cannot operate as a deterrent to use of a second system. Covia bases this assertion on the form of its minimum use clause, which requires an agency to continue using Apollo at half the rate of the agency's level of usage during the first six months of the contract term. In Covia's view, the agency itself determines the minimum usage level under the contract. Covia Comments at 29. However, an agency using Apollo as its only system during that six month term has no control over its usage level, since all of its bookings will be made through Apollo. Worldspan Reply at 29; see also System One Comments, Lenza Affidavit at 19. Furthermore, Covia has never explained why its alleged need for assurance of booking fee revenues requires it to treat the agency's failure to meet the minimum use requirement as a breach of the contract. If, as Covia asserts, it must

ensure that it receives adequate revenues from each subscriber, it can adopt contract terms requiring the subscriber to pay additional fees if certain booking levels are not maintained, as is done by other systems. Finally, as we noted in the NPRM, booking fees represent in part monopoly rents, and we do not see a public interest in guaranteeing a vendor's ability to obtain monopoly rents. 56 FR 12624.⁴ Given the lack of any necessary economic value to minimum use clauses (and the vendor's ability to protect their legitimate interests through productivity pricing), as well as the clauses' effect in discouraging an agency from making substantial use of a second system, we will prohibit minimum use clauses. In doing so we are acting consistently with the general provision in the current rules which prohibits vendors from directly or indirectly prohibiting subscribers from using other systems. Section 255.6(b).

We also proposed to ban the parity clauses that require an agency to use a number of terminals from the vendor that are proportional to the number used on other systems. This kind of clause also restricts agencies from making effective use of more than one system. 56 FR 12624. No party has attempted to justify parity clauses, and several support our proposal. We will therefore adopt the proposed rule.

8. Productivity Pricing

Productivity pricing differs from minimum use clauses because a subscriber's failure to meet the minimum booking requirement does not constitute a breach of the agreement making the agency liable for substantial damages. Instead, the agency must pay a higher rate for having access to the system. Apollo, for example, typically gives a subscriber a discount of 60 to 100 percent from the standard "rack" rates, depending on the number of bookings per terminal in the previous year. 15 Agencies Comment at 8-9.

Thus this type of pricing encourages the agency to make efficient use of its CRS equipment (and to avoid obtaining more equipment than reasonably needed for its business). Even the parties otherwise urging us to eliminate restrictive contract provisions—the

⁴ As Covia notes, our enforcement staff dismissed a complaint by System One against Covia based in part on claims that Covia's minimum use clauses violated the current rules and section 411 of the Act. Order 90-3-32 (January 17, 1990) at 17-18. However, the enforcement staff's decision not to institute an enforcement proceeding on the basis of the record there cannot preclude us from determining on the record here that minimum use clauses should be prohibited, as was noted in that order.

making a profit from their innovation or to limit their behavior any more than is necessary. However, the purpose of the rule is to ensure that carriers are not denied access to enhancements and marketing data for competitive reasons. If vendors have established fees for these services which are so high as to effectively preclude their purchase by participating carriers, we would consider that a violation of the rule.

VIII. Exemptions (§ 255.9)

A. Treatment of Non-participating carriers

EDR-466C contained a provision designed to prevent what has been described as the free rider problem, i.e. a participating carrier that refuses to pay a non-discriminatory fee, but nonetheless expects to get full access to systems. In § 255.9(a), we proposed that vendors' obligations under the rule would not apply to carriers that refused to enter into agreements conforming to the rule. In discussing this provision, we indicated that vendors would be free to drop such carriers from their systems completely, to bias displays against such carriers, or to give them equal treatment with paying carriers. We observed that in choosing the latter option, vendors would not be exempt from the non-discrimination rule.

A number of parties have commented on this provision. Continental merely requests clarification on what happens if a vendor continues to give full service to a free rider. It argues that all carriers should get full service on the same terms as the non-paying carrier. Frontier and Republic praise the rule as a deterrent to free riders, but they request that the rule not be construed as applying to carriers who insist on price terms negotiated in existing contracts.

Delta, DOJ, and Frontier have raised more fundamental concerns. They fear that giving vendors the option of biasing displays against non-paying carriers could seriously undermine the antibias rules. The danger is that vendors would request exorbitant, but non-discriminatory fees with the expectation that other carriers would not pay. Vendors would then be able to continue to bias their systems.

The Muse Group and Western foresee a related problem. They fear that the rule would perpetuate price discrimination against disfavored carriers. As the Muse Group explains it, favored carriers would be able to negotiate for minimal bias and pay zero fees. Western is simply concerned that the rule would permit vendors to offer full service to favored carriers at a zero price.

DOJ discussed three possible solutions. In addition to the zero fee option discussed above, it proposed as one alternative that vendors be given the choice of either removing all non-paying carriers from their systems or offering services to all carriers for no charge. Under DOJ's second alternative, the vendors would have the choice of dropping a carrier or keeping it on the system for free. If it did the latter, it would not be held to have violated the non-discrimination rule. DOJ acknowledges that either alternative has advantages and disadvantages. The first rule would ensure that smaller carriers benefited from the bargaining power of larger carriers. On the other hand, it could give vendors the ability to stifle entry if they refuse to pay smaller CRS operators. Those operators would be forced to sell their systems without the vendors' flights, or to collect no fees from any carrier. While the second alternative solves this problem, it may deprive smaller carriers of the protection of larger carriers' bargaining power.

Delta has also proposed a modification. Delta would have us require vendors to limit services to non-paying carriers to the display of schedule and fare information without reservations and ticketing capability. This approach would avoid the risk of reintroducing bias into displays, because the information would have to be displayed in an unbiased manner. In addition, it would guarantee that non-paying carriers received a lesser level of service, while assuring that at least the basic information about their services was available to travel agents and their customers through CRS's. The mandatory nature would also prevent vendors from using the discretion inherent in our original proposal to evade the new rules.

Western and the Muse Group similarly argue we must require vendors to penalize non-paying carriers in some fashion other than bias. The Muse Group suggests that we combine DOJ's mandatory deletion option with its suggested requirement that vendors make their availability data available to other CRS operators. This combination would preclude "sweetheart deals" but also assure that vendors do not use refusal to negotiate a non-discriminatory price to inhibit CRS competition.

United specifically opposed forced termination as an option. It argues that such an option would provide too much power to larger participating carriers, who United cannot afford to remove. Elimination of the bias option would have similar results according to United.

We have decided to adopt the non-participating carrier rule that we proposed, subject to certain clarifications. A CRS vendor will have the option of totally excluding non-paying carriers, limiting the information of those carriers it displays (perhaps schedules but not availability) or including all their information but with a measure of bias. Of course, CRS vendors will also have the option of affording non-paying carriers full service without bias. If it does so, however, other carriers will be entitled to the same treatment and the CRS vendor will have, in essence, imposed a zero fee requirement upon itself.

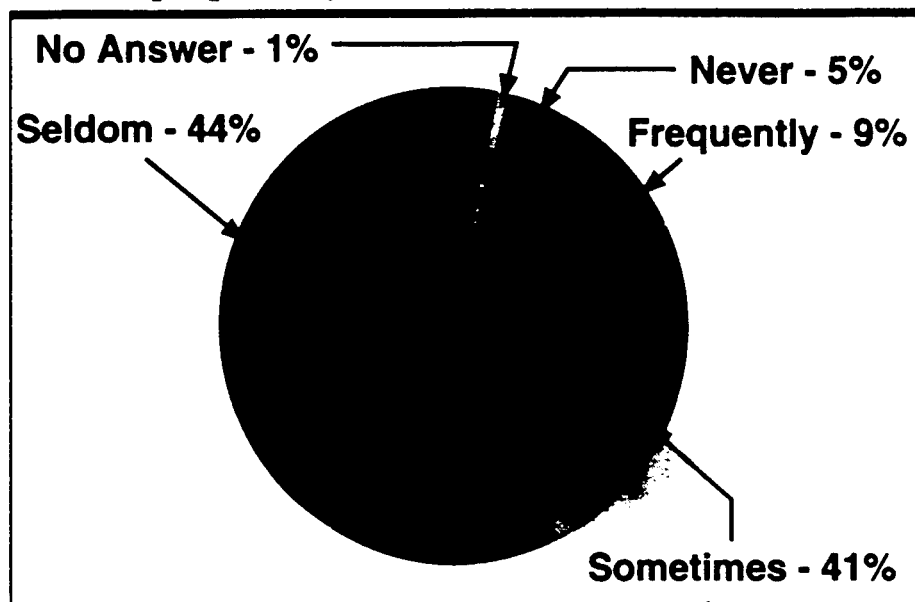
In some measure, our willingness to tolerate bias against non-paying carriers would appear to be inconsistent with our conclusion that bias injures air transportation competition and consumers. However, upon more careful analysis the inconsistency disappears. So long as we permit CRS vendors to charge other carriers for CRS access, as we concluded they must be free to do, the question arises as to what is permissible treatment of non-paying carriers. All of the options we could afford CRS vendors include some type of bias. Complete exclusion is in many ways the ultimate form of bias. By eliminating the non-payers information from the system, it dramatically reduces the chances that the carrier's services will be sold, and substantially impedes the carriers ability to compete in the air transportation industry. Similarly, it is more harmful to consumer because agents from whom they purchase air transportation will not have an efficient source of information on their schedules and fares.

Moreover, prohibiting bias as a response to non-payment may give the large CRS carriers the power to force a Hobson's Choice on smaller and new entrant CRS vendors. If the large carrier refused to pay, the small vendor would either have to provide full service to that carrier (and all other non-payers) for free or exclude the large CRS carrier thus making its system much less attractive to agents. Consequently, permitting CRS vendors to bias against non-paying carriers will cause less competitive injury and harm to consumers than any alternative.

While we recognize the concerns of certain commenters that this approach may serve as a vehicle for re-introduction of significant bias and discriminatory fees, we do not believe it will have that result. Vendors have substantial incentives to set fees at reasonable levels. While incremental passengers have been the most

Frequency of Multiple Bookings

Half the Respondents (50%) Sometimes Hold Multiple Itineraries And/or Dupe Space Only to Cancel a Portion at a Later Time.



Source: Computerized Airlines Sales and Marketing Association

Survey: Many Agents Don't Realize Cost of CRS Activities to Airlines

BY MICHELE Mc DONALD

NEW YORK — Despite the airlines' efforts during the last two years, many travel agents say they are still unaware that a lot of their CRS activities incur fees for the carriers, a new survey showed.

The results are likely to be disheartening for a number of carriers that have sought to control the rising cost of CRS participation.

Commissioned by the Computerized Airline Sales and Marketing Association, the sur-

vey asked U.S. and Canadian agents to review a list of seven booking activities and check off those that resulted in fees.

The activities were revisions to the same PNR; cancellations; waitlists; passive segments; open segments; schedule changes, and training segments.

All seven incur fees for the airlines, but only 4% of the survey respondents checked all seven.

On average, they checked only 3.3 items on the list.

Continued on Page 4, Col. 3

SURVEY SHOWS LIMITED KNOWLEDGE OF CRS FEES PAID BY CARRIERS

Poll: Agents Unaware of Lines' Costs

Continued from Page 1

Most (71%) respondents were aware that PNR revisions incur fees, and 58% checked cancellations.

But fewer than half recognized that waitlists, schedule changes and passive, open or training segments increased airlines' costs.

Among Canadian agents, only 58% checked any of the items.

The survey, conducted for Casma by Market Probe International, was distributed to agents through ASTA and ACTA (Alliance of Canadian Travel Associations).

It was completed and returned by 469 U.S. agents and 345 Canadian agents; 22% said they were consolidators.

The survey explored other areas that drive up airlines' costs.

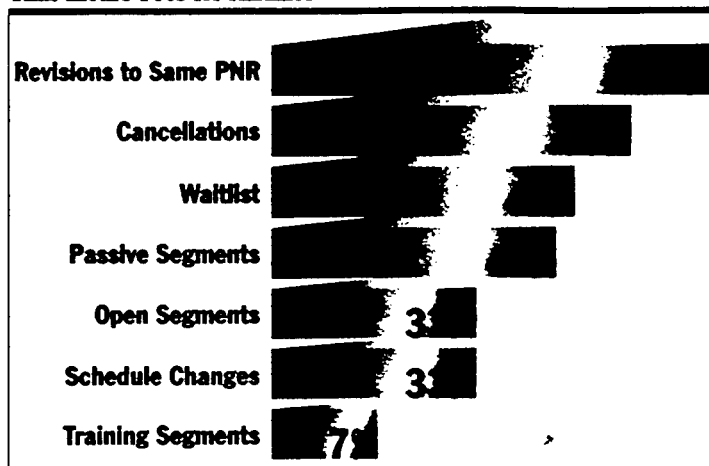
Half the agent respondents said they sometimes (41%) or frequently (9%) hold multiple itineraries and/or duplicate space; 44% said they seldom follow the practice, and only 5% said they never do.

A third of the respondents said they use "end transaction" even when they are just "shopping" with products like Bargain Finder or Dollar Saver; that, too, incurs fees.

The survey turned up one bit of good news for airlines trying to control CRS costs: the overwhelming majority (92%) of respondents said they use a

Booking Activities: Understanding CRS Charges to Participating Carriers

Percentage of Agents Who Said They Were Aware of an Activity That Incurs Fees for Airlines



Source: Computerized Airline Sales and Marketing Association

Claim PNR product to issue tickets for clients who make reservations directly with the airlines.

But the Casma survey results suggest that airlines still have a long way to go in educating agents on how their behavior affects airlines' bottom lines.

The carriers began to focus on CRS costs about two years ago. America West, Delta and Northwest have, in fact, warned agents that they will receive debit memos when their behavior, such as egregious cancellations and rebookings or passive bookings, result in excessive CRS fees.

The airlines have sent letters to agents who routinely engage in such activities and numerous articles on the topic have appeared in the trade press.

The survey did not address information dispensed by airlines, but 47% of U.S. and 76% of Canadian respondents said they have received no information or instructions from their CRS vendors on how to help airlines keep CRS costs down

and/or properly use the systems.

Airlines have complained loudly that the structure of the triangular relationship of agents, airlines and vendors is skewed against them.

They point out that they are assessed fees by the vendors for actions taken by agents.

About the Survey

NEW YORK — The 1996 Casma Survey is available in print or disk version from Market Probe International, 114 E. 32 St., New York 10016-5506.

The Computerized Airline Sales and Marketing Association consists of a group of airline executives.

The survey was mailed by ASTA and ACTA to their members; 469 U.S. agents and 345 Canadian agents returned completed surveys by the cut-off date.

The primary CRS for 38% of respondents was Apollo; 32%, Sabre; 17%, System One/Amadeus; 11%, Worldspan, and 1%, other.

ALSO REDUCES COMMISSION ON 'CLAIM PNRs'

America West Pulls Passive Booking Pay

BY JERRY BROWN

PHOENIX — America West Airlines said it no longer will pay commission on tickets generated from passive bookings and will charge back to the responsible agency the CRS fees incurred in such transactions, effective April 1.

At the same time, the airline will reduce to 5% the 10% commission paid on "claim PNR" tickets.

The Arizona-based carrier said that the passive bookings moves are another effort to control runaway CRS costs.

Six months ago, it joined with ASTA in an educational program designed to wean agents off nonrevenue-producing use of their CRSs.

It did not work, according to sales vice president Ron Cole; the initiative has had no impact on the volume of passive booking transactions.

"What we are trying to do now," said Cole, "is to focus the agency community's attention on the price we have to pay for doing business through the CRSs. We want them to stop

and think about what it costs us every time they hit the 'Enter' key."

Last week, America West called on agents to discontinue what it called "off-plating" abuses, but said those moves were unrelated to the actions it
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CO to Charge For CRS Abuse

HOUSTON — Continental said it will assess agencies a \$35 flat fee for passive bookings it considers part of a pattern of CRS abuse.

The policy, which followed an educational program, appeared in an addendum to the Airlines Reporting Corp. agreement.

Steve Cossette, vice president of planning distribution, said the fee would be assessed for fictitious, duplicate or speculative bookings.

America West to Cut Pay on Passive Bookings, 'Claim PNRs'

Continued from Page 1
is taking on passive bookings and claim PNR tickets.

Cole said that America West's bill for CRS services in 1996 was about \$54 million — a 20% increase in two years.

About 15% of that total is in the form of electronic transactions that do not produce revenue — transactions that include, but are not restricted to, passive bookings and claim PNRs.

Passive transactions are generated in a variety of ways with only one thing in common — somebody has to pay the CRS vendor for them.

In many instances, they involve a manual duplication by an agent of a record that was created somewhere else, as in, say, the case of a traveler who books direct with the airline and whose agent then dupli-

cates the record in his or her office CRS in order to issue the ticket.

Another instance involves the creation of an itinerary on



the CRS for a client whose travel arrangements were made by the agent over the telephone with a wholesaler — a process akin, according to Cole, to "using the CRS as a word processor."

Then, too, several airlines allege that some agents create passive segments to drive up their apparent booking activity to meet productivity levels, knowing that no actual travel

will result from their actions.

The claim PNR situation is closely related but, according to Cole, is the method the airlines prefer agents use to capture the information needed to ticket a passenger.

When an agent claims a PNR, the record is pulled electronically from the CRS where it was created and transferred to the CRS of the agent who wants to write the ticket.

Cole said that the benefit of claim PNRs is that the passenger's record is duplicated exactly, eliminating the possibility of error.

Such transactions as those mentioned above represent, Cole said, a relatively minor part of the total travel agency business activity with America West — 2.6% for passive bookings and 1% for claim PNRs.

"It's not a huge percentage,"

ASTA 'Extremely Disappointed'

WASHINGTON — ASTA president Mike Spinelli said that he was "extremely disappointed" by America West's decision to cut pay on all claimed PNRs (referrals) from 10% to 5%.

Calling America West's decision "shortsighted and unacceptable," Spinelli called upon America West's leadership to rethink its position.

He added that the carrier's no-pay policy on revenue resulting from passive bookings would affect agents to a lesser degree than the PNR pay reduction.

Cole said, "and we understand why agents use tools such as claim PNRs to service their clients. So we want to keep it available, but we can't pay a full 10% commission on it when we've done half the work."

Cole added that America West had appealed to the four major CRS vendors for relief from the costs of such nonrev-

enue use of the system.

Cole said that although the vendors expressed sympathy only Workday so far has offered any encouragement working with the carrier to try to devise a formula that would excuse it from the cost of certain mutually agreed transactions over which it has little or no control.

WILL AUDIT FOR 'INAPPROPRIATE PRACTICES'

UAL Warns Agents On Booking Abuses

BY JOSEPH KORNIK

CHICAGO — United Airlines joined the list of carriers cracking down on duplicate bookings by warning that it will audit agencies that exhibit "inappropriate CRS practices."

In a letter faxed to agency owners, United broke down those practices into six areas and said it will "issue debit memos for nonrevenue generating bookings" if there is no reduction in agent-generated booking fees.

"Right now, the letter is just an expression of concern," said Greg Taylor, vice president of revenue management for United and author of the letter.

"We have no desire whatsoever to send out debit memos. What we're looking for is a reduction of excessive bookings from agents."

Taylor could not be specific

about what United defines as "excessive" or about how much of a reduction the carrier is seeking from agencies.

The United warning comes on the heels of an American announcement that it would issue debit memos for excessive bookings.

America West has eliminated commissions on tickets from passive bookings, and Northwest has billed about 500 agencies for duplicate booking offenses. Other airlines, including Delta, TWA and US Airways, have issued warnings.

In its letter, United outlined the offensive practices as repeated canceling and rebook-

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United Joins Crackdown On CRS Abuse

Continued from Page 1

ing, which is often done to get around ticketing-time limits of fare rules; speculation, which United defines as holding onto inventory until a passenger or ticketing opportunity arises, and duplication of space, or booking passengers on multiple flights or on multiple classes.

In addition, the carrier pinpointed passive, fictitious and training bookings as practices that may be deemed "excessive."

"We haven't defined a specific number as to what we mean by excessive," Taylor said.

"But when we look at a record it's pretty obvious if it's been re-booked several times.

The offending agencies are easy to identify."

Taylor said United will monitor booking activity during the next several months. The next step would be to talk to those agencies who are blatant offenders.

"We're not just going to start issuing debit memos," he said.

"We'd like to get an idea of their practices and see how we can work together to correct the problem."

According to Taylor, United has not determined whether it would charge agencies an additional fee for processing debit memos.

American charges agents a \$50 per debit memo fee, and Continental charges a \$35 per infraction fee.

"I think the letter is pretty specific about what we are trying to cut out," Taylor said. "Any agency that isn't violating those standards has absolutely nothing to worry about."

Ruden: Booking Penalties Premature

BY JENNIFER DORSEY

SAN DIEGO — The moves by America West and other airlines to curb their CRS costs by cracking down on passive bookings and certain other agent booking practices has left some retailers scratching their heads.

During a discussion with an America West executive and an ASTA staff executive at Travel Weekly's Conference '97, a member of the audience stood and asked what types of CRS transactions are prohibited.

"The only one I really understand is churning," she said, referring to repeated rebookings of a passenger name record in order to circumvent ticketing deadlines. That type of confusion was one of the reasons cited by Paul Ruden, ASTA staff senior vice president of legal and industry affairs, for why airlines should not be rushing to impose new rules and penalties regarding duplicate bookings.

Agents need to know exactly what practices are offensive to airlines and subject to penalties, Ruden said.

"In everyone's enthusiasm to cut costs and shift the burden," he said, the "concepts and definitions are being overlooked."

"The travel agency community does not have access to all of the information it needs to do this right," Ruden said.

Ruden said progress can be made in this area through the efforts of ASTA and an industry CRS cost-reduction task force, which has its next meeting in Houston in mid-June.

"We are going to publish what I believe will be the definitive guide to all of this stuff within 60 days," Ruden said.

Additionally, ASTA is pressing for agents to receive — in electronic format, if possible — booking activity information that CRSs provide to airlines.

"That's one very big tool that will make a dent in this, if everyone just stays calm," he said.

If agency owners and managers have that kind of data in their hands, they can do a better job of training employees to avoid practices the airlines find objectionable, he said.

Ron Cole, vice president of sales for America West, which recently eliminated commissions on tickets generated from passive bookings and cut commissions to 5% on "claim

'Airlines think the only way out of their problems is to take the customer back.'

— Paul Ruden

PNR" tickets, said the passive booking issue is just a symptom of a larger problem.

"The CRS environment violates the principles of a normal competitive marketplace," Cole said.

"In the CRS world, there is no price competition, you don't get what you pay for, costs rise 'inexplicably' and the barriers to new entry are too high," Cole said.

"Some of us think we're getting taken to the cleaners."

He complained, for example, that when a retailer changes CRSs, the airline has to pay the CRS when the agency's passenger name records are converted from the old system to the new one.

"What does that do for me? It doesn't do anything for me, but I have to pay for it."

"In the absence of a solution, I think we will continue to have the contentious relationships. I don't think the status quo can survive," Cole said.

Ruden said agents should

not "bear the brunt" of solving a problem they did not create.

The CRSs for years urged agents to use their systems as though they were cost-free, and airlines were silent for years until they had to pay transaction fees, Ruden said.

Penalties are appropriate when agents create phony bookings to boost their CRS segment counts, but it is wrong to "punish agents for doing what the public demands that [they] do," Ruden said.

"The public likes what travel agents do. That to me is the single dominating factor about all of this that gets lost."

He put airline measures against passive bookings on the same spectrum as commission caps for traditional and on-line bookings, saying passive booking fees are designed by airlines to make agents less efficient and "induce consumers to deal directly with [the airlines]."

"They are doing this, I believe, because they think the only way out of their problems is to take the customer back."

Ruden said a new nonbillable, passive-segment entry introduced by Worldspan is a "move in the right direction" but still problematic because "it requires you to write the New Testament to get it into the computer," which is time-consuming and increases the risk of agent error.

Phil Davidoff, owner of Belair Travel and Cruises in Bowie, Md., said the new tool is fine for administrative purposes and for driving itineraries for clients but that it misses "the one thing we need."

"Our clients demand we get them seats. How can we get these seats without violating the rules?" he said.

Cole responded, "I don't know the answer to that. I don't want to pay twice for that seat."

Davidoff said, "But I'm not going to pay for it, either."

TWA Charges Improper Bookings

Carrier Said it Targeted Mr. Cheap\$ After Seeing a Pattern of Violations

BY FRAN DURBIN

WASHINGTON — TWA said it took the "extremely rare" step of blocking an Oregon agency's computer access to the TWA database in late July because of a pattern of "improper and fictitious" bookings.

TWA denied it made the move because the agency, Mr. Cheap\$ Travel of Clackamas, was one of the biggest sellers out of an estimated 2,200 agencies selling discounted TWA tickets issued by Global Travel Discount Services of Las Vegas.

Global is a consolidator-type firm set up by former TWA chief Carl Icahn in 1995.

Almost since the beginning, Icahn and TWA have been embroiled in litigation over the arrangement.

Mr. Cheap\$ "adamantly" denied a pattern of booking violations and said it incurred TWA's wrath because it is caught in the middle of a clash of two giants, TWA and Icahn.

Agency president Scott Bays asked, "Is there a hidden agenda here? And is it related to TWA's running battle with Carl Icahn?"

A TWA spokesman said he was not aware that the airline blocked computer access at any other agency selling Global-issued tickets.

TWA described the move against Mr. Cheap\$ as "pro-travel agent," saying the agency tied up seats that could have been sold by other agencies and caused the carrier to lose revenue.

"We found cases of many, many, many improper bookings that were not canceled or ticketed, and we will not tolerate that. It's unfair to TWA and it's unfair to the vast majority of agents who play by the rules," the spokesman said.

"If a travel agency claims to be caught between Mr. Icahn and TWA in their dispute, the agency shouldn't have been in the middle in the first place. No one is forcing any travel agency to ticket through Global," he said.

"There are plenty of other



TWA discounts until they represented about 90% of the agency's total business, previously projected to reach \$12 million this year.

The agency booked the flights, then queued them to Global for ticketing.

Now, however, the agency no longer can book TWA through the CRS.

In a press release, TWA cited a "fictitious" booking made by Mr. Cheap\$ on July 25 for a Mr. Bo No for a Seattle-Orlando, Fla., flight in December. TWA said the booking should have been ticketed or canceled by July 27 but was can-

celed on July 30.

Mr. Cheap\$, however, said Mr. Bo No was an actual person who changed his travel plans.

The agency acknowledged holding his booking for three extra days in July but noted the flight was in December and doubted its action prevented the seat from being sold by someone else.

In another example of "fictitious" bookings, TWA said the agency booked a party of nine on a Milwaukee-Las Vegas flight. The names were A. Smith, B. Smith, C. Smith, D. Smith, E. Smith, F. Smith, G. Smith, H. Smith and I. Smith.

Mr. Cheap\$ said the party was an actual family named Smith, and one of its agents inadvertently used alphabet initials rather than get actual first names.

TWA said the Smith party should have been canceled or ticketed by May 19; the agency said it was canceled on May 20.

Blackney Defends Passive Bookings

BY ISAE WADA

CHICAGO — Apollo chief executive Paul Blackney said the crackdown by the airlines on passive and other nonrevenue-generating bookings is the result of "reacting to a cause du jour," when the suppliers in fact have "very little understanding" of what agents do.

"There's some very good reasons" for passive bookings, Blackney told Travel Weekly at the CRS's subscribers meeting here.

Pointing to the "furor" by the airlines over the so-called booking abuses, Blackney said, "There's no intent [by agents] to abuse the system here.

"Passive bookings are mis-

understood. I can understand everybody's desire to minimize the cost of doing business," he said of the airlines' complaints about fees stemming from the booking practices.

The controversy over passive bookings, however, is an "issue that will work itself out as the rhetoric dies down," he said.

On a related matter, Blackney said productivity-based contracts are here to stay, despite critics' arguments that the agreements are at fault for encouraging passive bookings.

"Productivity-based contracts are in everybody's best interest," he said.

Is there any validity to the criticisms of escalating CRS fees? The fees are "a bargain,"

he maintained.

"If you look at the fees and at the service that we provide and the service that agents provide, they're a bargain," he said.

Blackney also said that proponents of current efforts to bypass the CRSs through Internet technologies are "naive."

Apollo is "much more than a switch," he said. "That is just a very small function of what we do." There is a "very, very small" part of the market, which he said was 1% to 2%, that would use these direct links, Blackney said.

But the "larger body of consumers want to facilitate shopping, they want to facilitate travel, to facilitate price shopping, to facilitate comparisons," he said.

"In terms of mass marketing, we will still need the CRSs," he said.

Agent Feels Sting of Airline's Passive-Booking Rule

BY JERRY BROWN

OAKLAND, N.J. — A travel agent here, faced with unexpected debit memos from America West, believes the carrier might be victimizing the trade inadvertently in its effort to head off unproductive booking-fee charges from the CRSs.

Paul Cantor, president of Paulyn Travel, incurred the charges after creating a number of passive bookings on his CRS.

He booked several family groups on America West Vacations packages from Newark, N.J., to Las Vegas this summer.

He then used his CRS to generate itineraries for the clients, unwittingly violating an America West edict.

The carrier advised agents in March that it would pass on to the trade the charges incurred in such transactions, a point that Cantor missed in reading the carrier's faxed communication at the time.

Ron Cole, vice president of sales for the airline, said he understood how the agent might have missed the full import of the fax.

"Agents get so much mail every day," he said.

"I know it doesn't all get

*'I am offended by the
[airline] industry's
easy usage of
the word "abuse."'
— Paul Cantor*

read, or [it is] not read as closely as perhaps it should be.

"But we did make it clear that we would pass these charges on to agents effective April 1."

Cole said he would be in touch with Cantor to explain the situation in more detail.

Although not expecting any miracle of forgiveness from the carrier, Cantor feels somewhat victimized by the debit memos — three, so far, for \$50 to \$60 each.

"America West Vacations is using electronic tickets in these [Newark-Las Vegas] packages," he said.

"I want to give my clients some documentation on the spot, an itinerary and a 'Have a good flight' message or something.

"What am I supposed to do?" he said. "Type out an itinerary when I can enter the transaction in my CRS and generate the document a lot more easily?"

"I am offended by the industry's easy usage of the word abuse" in connection with passive transactions.

"It's abuse," he said, "if I generate a booking for which I know no travel will take place.

"It's not abuse if I do something totally innocently."

TO HELP AGENTS REDUCE ACTIVITY ABUSES

CRS Vendors Agree to Issue Booking Data

BY MICHAEL MILLIGAN
AND ISAE WADA

ALEXANDRIA, Va. — ASTA said its CRS Cost Reduction Task Force negotiated an agreement with four computerized reservations system vendors to help reduce passive bookings.

Under terms of the plan, Sabre, Worldspan, Apollo and System One-Amadeus will provide agents with summary reports of their booking activity, including passive bookings keyed by pseudo city code.

The move is a step toward resolving agents' conflicts between CRS productivity contracts and debit memos from airlines for invalid bookings.

Agents argue they need de-

tails of their booking practices to curtail CRS abuses.

"[The CRSs] have agreed to provide pseudo city code-level reports as an automatic part of the [CRS] bill," said Mike Estill, chairman of the task force and owner of Estill International Travel, Los Altos, Calif.

"Agents will be able to see if there are any changes in their booking patterns. We also are trying to get [the CRSs] to not only give active and passive numbers, but the total number of record hits to active segments," he said.

The number of hits would enable agencies to isolate how many times an agent calls up a specific record.

"From the carriers' stand-
Continued on Page 29, Col. 1

CRSs Set to Issue Booking Reports

Continued from Page 1

point, a lot of that is causing excessive billings back to them," Estill said.

Agencies also can request more detailed reports that catalog which airline is receiving the most passive bookings.

Apollo said its reports, including passive segment usage by pseudo city code, go out to subscribers at the end of June.

Thereafter, the reports will be sent regularly to subscribers that demonstrate "above average" passive bookings compared with similarly sized agencies, a spokeswoman said.

She also said Apollo was planning to demonstrate at its

annual subscribers meeting in July a new on-line system that will allow agents to get booking information to "virtually infinite detail" — by agent, by vendor, by day.

The new system, which is expected to be released next year, will look up current booking activity as well as activity for the past 13 months.

A Worldspan spokesman said the CRS planned in September to start providing monthly billing summaries breaking out information in four categories: new transactions, passives, cancellations and others, such as wait lists.

He noted that the CRS has

for a long time provided further detail in management reports, on request and for a fee.

Sabre plans to start distributing to reports in the fall that will show passive segment usage by pseudo city code, by agent and by airline, said Scott Alvis, the CRS's managing director of associate sales and marketing.

The reports will be available upon request from the agent's Sabre account executive.

The ASTA task force, meanwhile, also identified inconsistencies in locating carrier booking policies in the Direct Reference System (DRS) of CRS systems, primarily because they are filed under dif-

Airlines' Positions on Excessive Duplicate Bookings *

American	Issues debit memos for excessive duplicate bookings retroactive to March. Will begin charging for churn volume in September. Includes \$50 per debit memo fee.
America West	Eliminated commissions on tickets generated from passive bookings. Reduced commissions to 5% on duplicate PNR tickets that result when a client books direct and an agent pulls PNR for ticketing.
Continental	Issues debit memos for excessive duplicate bookings. Includes ticketing.
Northwest	Bills agents for excessive bookings; no additional fees.
Delta, TWA, United, US Airways	Issued warnings.

ferent keywords.

As a result, ASTA said the CRS vendors will recommend to the task force a standard pri-

mary level keyword to help agents locate airline policies.

System One-Amadeus could not be reached for comment.

* Airlines' Positions on Excessive Duplicate Bookings

American	Issuing debit memos for excessive duplicate bookings retroactive to March. Will begin charging for churn volume in September. Includes \$50 per debit memo fee.
America West	Eliminated commissions on tickets generated from passive bookings. Reduced commissions to 5% on duplicate PNR tickets that result when a client books direct and an agent pulls PNR for ticketing.
Continental	Issues debit memos for excessive duplicate bookings. Includes a \$35 fee per infraction.
Northwest	Bills agents for excessive bookings; no additional fees.
Delta, TWA, United, US Airways	Issued warnings.

SABRE Cost Management Products

<i>Contested Segment</i>	<i>SABRE Product Solution</i>
Travel Service Segments ("passives")	Claim It, Group Claim It, Passenger Notification Messaging ("PNM")
Invalid Flight Information (<i>i.e.</i> , date, number, city pair)	Travel Service Segment Validation ("TSSV")
Open Segments	TSSV, PNM, Ticket Number Notification
"Duplicate" Bookings	Duplicate Booking Audit
"Speculative" Bookings (<i>i.e.</i> , place holder names)	Name Change Restriction
Subscriber Abuse (<i>i.e.</i> , "fraudulent" bookings)	Associate Booking Control
CRS Conversion Segments	No charge in SABRE

COST MANAGEMENT PROGRAM

SABRE® is committed to delivering products and services that provide the industry's most extensive selection of inventory management and point-of-sale tools. This section highlights products that were developed to assist Associates with better management of booking activity.

SABRE has developed a comprehensive training and communication program to reduce the need for Travel Service Segment (TSS) bookings. The program is designed to help the Associate and the Subscriber by:

- ▼ Providing education on the use of TSS and the economic impact they have on Associate distribution costs.
- ▼ Providing system functionality to reduce the need for TSS activity.

COST MANAGEMENT TOOLS

Travel Service Segment Validation (TSSV) is a powerful auditing tool designed to match manual SABRE bookings (BK, BL, GK, GL, DS, HK* and HL*) with the Associate's published city pairs, frequency and flight numbers. If the segment entered does not reconcile, SABRE will deny the input and the Associate will not be billed for that segment.

Fee: No charge for the product.

Ticket Number Notification advises an airline whenever a ticket is issued and the airline participates in the ticketed itinerary. This enables the airline to monitor inventory based on ticketed passengers and to identify potential no-show segments. The message can be transmitted using an SSR or an OSI code. Ticket numbers can be sent on individual PNRs, group PNRs or both.

Fee: No charge for the product.

"HX" Processing allows the airline to send an HX message to the SABRE PNR when the segment is canceled directly with the airline. SABRE then places the PNR on a special queue for the SABRE Subscriber to take appropriate action. An HX status code restricts the Subscriber PNR, disallowing pricing, invoicing and ticketing until the segment is canceled.

Fee: No charge for the product.

Passenger Notification Messaging (PNM) / NO Processing is an inventory management tool that enables airlines to identify a TSS at the time of sale in order to reconcile the booking within its system to the SABRE PNR. Airlines will be notified via Teletype message when a TSS has been entered or canceled. If an equivalent segment is not found, the airline may elect to return a NO status code to the SABRE PNR. A NO should not be sent when an equivalent is found in the airline system. The PNR will then be queued to the SABRE Subscriber for appropriate action. The NO status code restricts the SABRE Subscriber PNR disallowing boarding pass and ticket issuance until the segment is canceled.

Fee: No charge for the product and 100% credit will be returned to the Associate when the Subscriber cancels the segment.

Claim ItSM and Claim It Assist enable Subscribers to view and transfer ownership of a PNR booked directly with an airline. If a TSS is entered on an Associate utilizing these products, SABRE Subscribers are instructed to ignore the TSS and claim the segment directly with the airline. This, in turn, can lower the Associate's cost by allowing reservation staff to focus on new sales rather than servicing previously booked space.

Fee: Same as Direct AccessSM rate.

Name Change Restriction allows an airline to inhibit name changes once the PNR is ended. The restriction can be applied to all classes of service or specific classes only, and to group or non-group PNRs. The SABRE Subscriber receives a warning when inventory is sold that is restricted to name changes. An error message is issued when the first attempt is made to change a name field after the PNR has been ended. If a second attempt is made, the space is automatically canceled and the cancellation message is sent to the airline.

Fee: No charge for the product.

HANDY REFERENCE PAGES IN SABRE

PRODUCT NAME

REFERENCE

To view information on these products as published to the Subscriber, please see the following:

Travel Service Segment Validation	F*FOX/TSSV
Ticket Number Notification	F*FOX/TICKET/NOTIFICATION
Name Change Restriction	N*/NAME CHANGE RESTRICTION
HX Processing	F*FOX/HX
Passenger Notification Messaging	F*FOX/AIRLINE/SEGMENT/BK F*FOX/AIRLINE/SEGMENT/GK
Claim It	F*TTL/CLAIM IT

COST MANAGEMENT PROGRAM

FREQUENTLY ASKED QUESTIONS

How can we prevent TSS from being entered and billed when we do not service the market?	TSSV (Travel Service Segment Validation) prevents the manual input of segments that do not match the current schedule data. TSSV checks for city pair, flight number and day of operation. Fee: No charge for the product.
TSSV won't work for my airline. We operate unscheduled charters that are not published. We want the agencies to service these passengers, but want to know what segments are out there before we get the invoice.	For those airlines that do not wish to load unscheduled charters in SABRE, Passenger Notification Messaging (PNM) provides an alternative solution. PNM sends the TSS at End Transaction. This gives you the opportunity to reconcile the segment in your system. If you are not holding the segment, you may notify the agency through an AIRIMP message which places the PNR on the agency's queue. Fee: No charge for the product and <u>100% credit</u> is returned to the airline when the Subscriber cancels the segment.
When evaluating flight loads, I need to know which passengers are ticketed to more accurately predict load factors and prevent no-shows.	Ticket Number Notification will send the ticket number to your PNR when the ticket is issued for the passenger. Fee: No charge for the product.
Passengers frequently call into my reservations offices after hours to cancel or change their travel plans. How can we notify the booking agent so they can cancel or change their PNR?	HX processing will automatically place the SABRE PNR on the Subscriber queue 7. SSRs with text messages and newly booked segments can be included at the same time so the Subscriber knows what has occurred and can take action without calling your reservations staff. Fee: No charge for the product.
My reservations staff is spending too much time recapping itineraries booked by the passenger, which are going to be ticketed by a travel agent. I also want to reduce the use of passive segments. Can you help?	Claim It allows the Subscriber to retrieve the PNR directly from your system and Claim It for ticketing in SABRE - without a phone call! Fee: Same as Direct Access.

BILLING PROCESS

INTERPRETING
YOUR INVOICE

CREDIT REQUEST
GUIDELINES

SUBMITTING
CREDIT REQUESTS

BEHIND SERVICES
CONTACT

APPENDIX



ABC Company
Mr. John Q. Traveler
123 Any Street
Anywhere, US 12345-1234

April 1, 1997

Dear Mr. John Q. Traveler:

SABRE is pleased to provide you with valuable information on the most comprehensive suite of cost-management tools in the industry -- **SABRE Cost-Management Solutions**. Your feedback has played a key role in the development of these tools that allow you to control how your products are distributed and, most importantly, give you greater control in managing distribution costs. SABRE Cost-Management Solutions is another example of our commitment to being the leader in travel technology solutions.

Our commitment is to deliver powerful solutions that are easily and instantly available. SABRE Cost-Management Solutions provides you with opportunities to:

- Protect revenue
- Promote accurate inventory allotment and yield management
- Prevent spoilage
- Maximize distribution dollars
- Target market promotions
- Enhance your ability to perform cost and revenue analysis
- Increase sales opportunities

SABRE was the first Global Distribution System to offer:

- Free Ticket Number Notification
- Travel Service Segment Validation (TSSV)
- Name Change Restriction by class of service

SABRE will be the first Global Distribution System to offer:

- Support airline policies to remove booking capabilities from specific locations
- Deactivation of audit processes for specific locations
- Channel and originator type indicators
- Automatic reminders that duplicated itineraries exist within a Passenger Name Record (PNR) or across multiple PNRs within the same location
- A unique process that will re-queue PNRs alerting the Subscriber that a change has occurred that will affect the client's itinerary

I hope you agree that SABRE is committed to providing new and creative tools to help you manage your distribution costs. Please note the 1997 implementation schedule attached for your reference. We appreciate your continuous feedback on our cost-management initiatives. To learn more about how SABRE Cost-Management Solutions can help you achieve your distribution goals, please contact your Account Manager. Thank you for your continued business.

Sincerely,

A handwritten signature in black ink that reads "Scott V. Alvis".

Scott V. Alvis
Managing Director
Associate Sales & Marketing

SABRE Cost-Management Solutions

SABRE Cost-Management ("the Solutions") provide you, the airline, with tools to manage your booking activity in SABRE. This extensive suite of products enables you to monitor the integrity of your inventory from the shopping phase to the departure date. Our pledge to you is to assist you in ensuring that every booking has high value and quality.

We are pleased to offer these products for your use and ask that you review the information contained within the Cost-Management Solutions Guidelines for Usage ("the Guidelines"). Adherence to the Guidelines is required when participating in any of these products.

COST-MANAGEMENT SOLUTIONS

Current Products

- Claim ItSM
- Name Change Restriction
- Passenger Notification Messaging
- Point-of-Sale
- Ticket Number Notification
- Travel Solutions Service Segment Validation (TSSV)

New 1997 Products

- Associate Booking Control (ABC)
- Duplicate Booking Audit
- Enhanced TSSV
- Enhanced Name Change Restriction
- Expanded Point-of-Sale
- Group Claim It
- Quality Assurance Queue

SABRE Cost-Management Solutions are ... flexible ... effective ... efficient ... easy to implement ... and included with your participation in SABRE!

A WORLD OF DISTRIBUTION SOLUTIONS



SABRE Cost-Management Solutions
1997 Implementation Schedule

<u>Product</u>	<u>1997 Implementation</u>
Associate Booking Control	June
Duplicate Booking Audit - On-line, single PNR	April
Duplicate Booking Audit - Queue to Subscriber	June
Expanded Point-of-Sale - Channel ID	April
Name Change Restriction - Pseudo City Code	June
Quality Assurance Queue	June
Travel Service Segment Validation - Add HN	February
Travel Service Segment Validation - Open DS	April
Travel Service Segment Validation - Class of Service	May
Travel Service Segment Validation - Pseudo City Code	June

A WORLD OF DISTRIBUTION SOLUTIONS



SABRE - Your Key
to Cost Management

The Power Of Duplicate
Booking Audit:

- Inhibits duplicates within the same PNR
- Alerts booking agent that duplicates exist
- Manages booking activity
- Protects revenue
- Increases sales opportunities
- Prevents spoilage

The Power Of Quality
Assurance Queue:

- Prompts the booking agent to cancel
- Manages booking activity
- Protects inventory

DUPLICATE BOOKING AUDIT QUALITY ASSURANCE QUEUE



MAXIMIZE INVENTORY PROTECTION TO INCREASE REVENUES!

Audit bookings!

Prevent and reduce duplicate bookings!

Increase the inventory opportunity for resale!

Duplicate Booking Audit inhibits "End Transaction" when duplication of the passenger name, airline, city pair and travel date is found within the same passenger record.

Duplicate Booking Audit is processed nightly and queues duplicated itineraries within the same pseudo city code to a unique queue, named the "Quality Assurance Queue." The booking agent then evaluates the booking and cancels any unnecessary duplicated space, freeing inventory for resale.



The Quality Assurance Queue is also utilized to re-queue segment status codes HX, NO, UN and UC if the segment has not been actioned within 44 hours.

Participating Carriers are automatically enrolled into both of these SABRE® products.

Duplicate Booking Audit and the Quality Assurance Queue – **automated tools that ensure inventory is protected and revenue is maximized** – are provided to you as key value-added solutions! Contact your SABRE Account Manager for more information.



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TRAVEL INFORMATION NETWORK™

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SABRE Cost-Management Solutions For Airlines:

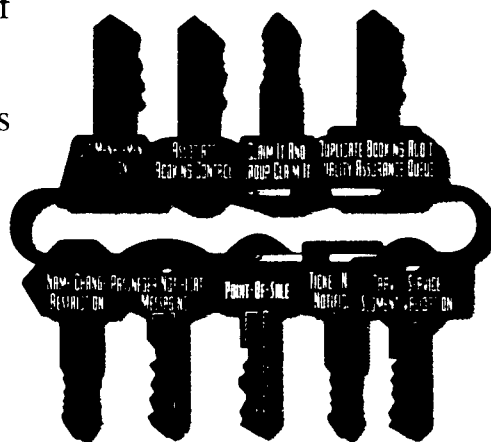
- Manages booking activity
- Protects revenue
- Prevents spoilage
- Increases sales opportunities
- Facilitates your distribution
- Maximizes distribution dollars
- Promotes target marketing
- Enhances cost and revenue analysis
- Enables informed decisions
- Ensures accurate inventory allocation

SABRE® Cost-Management Solutions



SABRE Cost-Management Solutions is your key to maximizing control of your booking activity. Our commitment is to give you a powerful suite of products that ensures the booking integrity of your air product from the shopping phase to the departure date. We have a number of products today that support this commitment.

- *Claim ItSM And Group Claim It* reduce the need for passive segments and transfer all support costs of booking the passenger from you to the SABRE® Subscriber.
- *Name Change Restriction* prevents name changes by specific classes or all classes of service once the Passenger Name Record (PNR) has been ended. The editing process will be enhanced during the second quarter of 1997 to allow you to exclude a pseudo city code(s) from the process.
- *Passenger Notification Messaging* reports the existence of Travel Service Segments (TSS) to you when the PNR is ended.
- *Ticket Number Notification* instantly notifies you of the ticket number when an automated ticket is issued.
- *Travel Service Segment Validation* prevents the input of TSS when the flight data does not match what you have published to SABRE.



A WORLD OF DISTRIBUTION SOLUTIONS



SABRE - YOUR KEY
TO COST MANAGEMENT

THE POWER OF ASSOCIATE
BOOKING CONTROL:

- Removes all booking privileges
- Protects inventory
- Controls your distribution
- Facilitates compliance

ASSOCIATE BOOKING CONTROL



IT'S AS EASY AS A, B, C!

Maximize your distribution revenue!

Protect your inventory!

Manage your booking sources!

Associate Booking Control allows you the ultimate tool in distribution, while selling airline inventory and protecting revenue. The program will remove all booking privileges from a selling location, including:

- Travel Service Segments
- Multi AccessSM
- Claim ItSM
- Transfer of ownership from one booking agent location to another



Associate Booking Control – **the ultimate tool for protecting inventory and distribution selling** – is available to you as a value-added solution in our Cost-Management Solutions! To learn more about protecting your key inventory and revenue, contact your SABRE® Account Manager today.



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SABRE - YOUR KEY
TO COST MANAGEMENT

THE POWER OF CLAIM IT AND
GROUP CLAIM IT:

- Transfers PNR support costs to travel agents
- Controls which PNRs are claimed
- Eliminates non-revenue-producing calls
- Increases revenue generation possibilities
- Eliminates Teletype rejects
- Eliminates Travel Service Segments
- Promotes your participation
- Decreases agents' use of Travel Service Segments
- Allocates canceled group inventory at your discretion

CLAIM ITSM AND GROUP CLAIM IT



MAXIMIZE YOUR COST REDUCTION WITH CLAIM IT AND GROUP CLAIM IT!

Reduce reservation call costs!

Eliminate Travel Service Segments!

Decrease group PNR management costs!

Increase revenue opportunities!

Claim It allows you to transfer management of Passenger Name Records (PNRs) created by your reservations agents to the travel agent. Travel agents enter your reservation system, request to display the reservation, and then claim the PNR. Your security determines the PNRs you want claimed.



Now that travel agents can claim PNRs interactively, your reservation agents are free to concentrate on revenue-generating calls. Teletype rejects are eliminated because your PNR is used.

Claim It eliminates the need for Subscribers to enter Travel Service Segments (TSS). Participating carriers have experienced a TSS reduction rate exceeding 30%!

The Claim It Assist Message encourages Subscribers to use Claim It whenever they enter a TSS.

Group Claim It is customized to your booking procedures and will transfer group contract obligation to the Subscriber and reminds them of the deadlines. When a Subscriber cancels group space, a unique message will be sent, and you will be allowed to disperse the inventory at your discretion. Group Claim It puts you in control by allowing you to audit claimed group PNRs.

Claim It and Group Claim It – **the ultimate travel service segment cost-reduction tools** – are just what you need to increase productivity. To learn more about the value-added solutions of Claim It and Group Claim It, call your SABRE® Account Manager today!



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SABRE - YOUR KEY
TO COST MANAGEMENT

THE POWER OF NAME CHANGE
RESTRICTION:

- Enforces your policy
on name changes
- Protects inventory
- Implements easily and
instantly
- Utilizes flexible
editing options

NAME CHANGE RESTRICTION



THEY NAME IT! YOU MANAGE IT!
NAME CHANGE RESTRICTION IS THE TOOL FOR INVENTORY PROTECTION!

Maximize your yields!

Protect your inventory!

Apply flexible implementation options!

Name Change Restriction offers you the opportunity to enforce your internal name change policies in SABRE®. The editing process is based on the class of service and the booking agent. You may select to apply the edit to all classes of service or just specific classes of service. Once the Passenger Name Record has been ended, no modifications to the name field are permitted.



Based on your business arrangement with the booking agent, you may also select to exclude a specific pseudo city code from the editing process.

Name Change Restriction – **the tool for preventing unauthorized inventory reselling** – is available to you as a value-added solution in our Cost-Management Solutions! To learn more about protecting your inventory and yields, contact your SABRE Account Manager today.



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SABRE - Your Key
To Cost Management
The Power Of Passenger
Notification Messaging:

- Reconciles bookings
between systems
- Controls your
distribution
- Implements easily
and instantly
- Uses industry-standard
messaging

PASSENGER NOTIFICATION MESSAGING



RECONCILE, AUDIT AND MONITOR PASSENGER ACTIVITY WITH PASSENGER NOTIFICATION MESSAGING!

Reconcile bookings between your system and SABRE®!

Utilize industry-standard messaging!

Synchronize PNRs!

Reduce Message Rejects!

Passenger Notification Messaging enables you to reconcile bookings made within your internal host system and SABRE. When a Travel Service Segment (TSS) is entered, using status codes HK*, HL*, HN, GK, GL, BK or DS, a Teletype message is sent to your system. You'll receive either the industry-standard code PK for a confirmed segment or PL for a waitlisted segment. You can then match the TSS segment with the active booking.



If the segment does not exist in your host system, a NO status code may be returned to the Passenger Name Record. When a segment is canceled in SABRE, the advice code PX can be sent to you.

Passenger Notification Messaging – **the ultimate tool for reconciling your bookings with TSS bookings in SABRE** – is available to you as a value-added solution in our Cost-Management Solutions! To learn more about maximizing your key distribution dollars, contact your SABRE Account Manager today.



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*When manually input by the booking agent

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SABRE - Your Key
To Cost Management

THE POWER OF
POINT-OF-SALE:

- Enables target marketing
- Enhances cost and revenue analysis
- Promotes informed decisions
- Ensures accurate inventory allocation
- Identifies channel
- Identifies geographic location
- Identifies currency

POINT-OF-SALE



KNOW YOUR CUSTOMER AND GET TO THE POINT OF THE SALE!

Maximize yield and inventory!

Customize displays based on your relationships!

Identify the booking channel!

Target promotions by market!

Point-of-Sale is your key to real-time informational data on who is looking at and booking your air product. Point-of-Sale is available with the most commonly used business transactions such as sell, availability requests and fare displays. Point-of-Sale information can be customized and can be sent with active transactions such as Teletype messages and Direct AccessSM or with our interactive Direct Connect AirSM programs. With the emergence of new channels in electronic commerce and the increasingly complex distribution process, SABRE[®] provides premier point-of-sale information on the booking location.



The following IATA originator type codes are incorporated in EDIFACT and AIRIMP point-of-sale messages:

- B – Business/Corporate account
- D – Direct dial-in locations, such as consumers or PC home users
- E – End user access via third-party on-line electronic systems, such as Minitel or CompuServe
- N – Non-accredited IATA/ARC locations
- T – Accredited IATA/ARC locations

Point-of-Sale – the intelligence you need to make informed decisions – is offered as a value-added solution to identifying your customer! To unlock the power of Point-of-Sale, contact your SABRE Account Manager.

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SABRE - Your Key
to Cost Management
The Power of Ticket
Number Notification:

- Protects inventory
- Improves inventory management on Travel Service Segment (TSS) and active segments
- Implements easily and instantly
- Improves yield management on TSS and active segments
- Utilizes flexible messaging using SSR or OSI messages
- Enhances cost and revenue analysis
- Uses industry-standard messaging

TICKET NUMBER NOTIFICATION



BALANCE YOUR LOADS BY FACTORING TICKETED PASSENGERS!

Track your inventory!

Improve yield and inventory management decisions!

Apply flexible implementation options!

Ticket Number Notification is an automatic message that notifies you when a ticket is issued in SABRE®. The product is flexible and can be sent using an SSR or an OSI message – it's your choice!

Messaging can be selected for individual Passenger Name Records, Group Name Records or both.



If an SSR is selected, the message will include a separate SSR for each passenger coupon issued. If an OSI is selected, the message will include one OSI for each ticket issued for a passenger name.

SABRE uses the approved IATA advice codes, which include:

- TKNA for automated ticket numbers
- TKNC for ticket control numbers when the ticket number is unknown for an automated ticket
- TKNM for ticket number manually added by the ticketing agent

Ticket Number Notification – **the tool to forecast yield and track inventory** – is available to you as a key value-added solution in our Cost-Management Solutions! To learn more about protecting your inventory and revenue, contact your SABRE Account Manager today.

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SABRE - Your Key
To Cost Management

THE POWER OF TSSV:

- Inhibits the input of incorrect flight data
- Alerts booking agent that errors exist
- Audits flight number
- Audits day of operation
- Audits city pair
- Audits class of service
- Audits open segments
- Excludes by pseudo city code
- Manages booking activity

TRAVEL SERVICE SEGMENT VALIDATION (TSSV)



AUDIT AND MANAGE YOUR BOOKING ACTIVITY WITH TSSV!

Ensure accurate data!

Instill passenger confidence!

Inhibit the input of invalid flight information!

Travel Service Segment Validation (TSSV) is the on-line audit tool that locks in accuracy of flight information on Travel Service Segment status codes HK*, HL*, HN, GK, GL, DS and BK. TSSV audits the segment as the booking agent enters a Travel Service Segment. This alerts the agent when the data is incorrect. Thus, the passenger is given correct travel details, thereby preventing mishandling at the airport!



TSSV audits for the following elements:

- Flight number
- Day of operation
- City pair
- Open segments
- Optional class of service
- Optional exclusion of a specific pseudo city code

Travel Service Segment Validation – **the on-line audit tool for accurate flight information on Travel Service Segments** – is offered to you as a value-added solution to help manage your costs. Contact your SABRE® Account Manager today to learn more about these productivity benefits.



A WORLD OF DISTRIBUTION SOLUTIONS

SABRE
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*When manually input by the booking agent

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Travelocity/easySABRE Carrier Security Controls

In consultation with the industry, SABRE Interactive has enacted the following policies relating to bookings made using its customer-direct products:

1. Valid credit cards are required for a passenger to complete a PNR made in Travelocity/easySABRE.
2. All air segments currently auto-cancel at the expiration of the ticketing time-limit associated with that fare or within 24 hours of booking, whichever is more restrictive. After consultation with carriers, this policy will change in the near future to auto-cancel at the expiration of the ticketing time-limit associated with that fare or by 11:00 p.m. the following day, whichever is more restrictive.
3. Travelocity/easySABRE PNRs may contain no more than four passengers.
4. Reports are generated daily listing, by user ID, all PNRs created in a 24 hour period. The PNRs are scrutinized for abuse and suspicious PNRs are reported to the carrier involved in the transaction. Special attention is paid to any user who has created four or more PNRs on previous day, multiple segment PNRs and PNRs involving premium classes of service.
5. If the PNR is to be ticketed by the SABRE Customer Service Center, software checks for the following:
 - a. Tickets issued within six days of departure (usually full fare refundable).
 - b. First Class tickets. Additionally, First Class tickets are only sent via FedEx and require a signature.
 - c. One-way tickets.
 - d. No Frequent Flier information in the PNR.
 - e. Third-party credit card purchases.

If a PNR meets any of the above criteria, the reservation is scrutinized by the Service Center and problems are reported to the carrier involved.

U.S. Airline Industry Load Factors

<u>Year</u>	<u>Load Factor*</u> (%)	
1974	54.9	Average for 1974-76
1975	53.7	
1976	55.4	
1977	55.9	
1978	61.5	< airline deregulation
1979	63.0	
1980	59.0	Average for 1980-82
1981	58.6	
1982	59.0	
1983	60.7	
1984	59.2	< CAB CRS rules
1985	61.4	
1986	60.3	Average for 1986-88
1987	62.3	
1988	62.5	
1989	63.2	
1990	62.4	Average for 1990-92
1991	62.6	
1992	63.6	
1993	63.5	
1994	66.2	Average for 1994-96
1995	67.0	
1996	69.3	

* revenue passenger load factor for U.S. scheduled airlines

Source: U.S. Air Transport Association, Annual Reports (1981, 1990, 1997)



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Anti-Tying Compliance Program

[Draft of Suggested Changes to Part 255.8(d)]

255.8(d), sub-parts:

- (1) A system vendor shall provide to all its subscribers before entering into a contract or renewal thereof a copy of this part. On or before February 1st of each year the President or Chief Executive Officer of the system vendor shall provide the Department with a verified letter stating that this provision has been complied with during the preceding twelve month period.
- (2) Any offer of commissions exceeding the standard level available to all approved agents shall be in writing and include a written affirmation that such offer is not conditioned on CRS selection or use. Owing carrier(s) shall indicate in writing to all travel agents who sell their products at least once a year that it is the policy of the owning carrier(s) that airline commissions to travel agents are not conditional upon the selection or use of a particular system.
- (3) An officer of each owning carrier and the system vendor shall provide a verified report to the Department on or before February 1st of each year stating that the owning carrier(s) and system vendor have complied with this part during the preceding twelve -month period.

FOR IMMEDIATE RELEASE
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JUSTICE DEPARTMENT ASKS EUROPEAN COMMUNITIES TO INVESTIGATE
POSSIBLE ANTICOMPETITIVE CONDUCT AFFECTING U.S AIRLINES' COMPUTER
RESERVATION SYSTEMS

First Formal Investigation Request by Department to European
Communities

WASHINGTON, D.C. -- The Department of Justice disclosed today that it made a formal request to the European Communities' competition authorities to investigate possible anticompetitive conduct by European airlines that may be preventing U.S.-based airline computer reservation systems from competing effectively in certain European countries. The request, which was made in January of this year, was not disclosed earlier in order to protect the integrity of the investigation.

This is the first formal request--also known as a "positive comity" request--made under a 1991 agreement to enhance cooperation between the U.S. and the European Communities in enforcing competition laws, the Department said.

"This request demonstrates our commitment to cooperative antitrust enforcement with our European colleagues," said Joel I. Klein, Acting Assistant Attorney General in charge of the Department's Antitrust Division. "This kind of cooperation is critical in today's increasingly globalized economy."

Computer reservations systems are used by travel agents to schedule and book reservations on airlines, trains, and other carriers.

The Department's Antitrust Division had been investigating whether the three large European airlines that own Amadeus, the dominant computer reservation system in Europe, maintained that dominance by withholding air fare information and functionality from U.S. computer reservation systems that do business in Europe. When it made its positive comity request, the Antitrust Division sent to the European Commission's Directorate-General for Competition materials that set forth the competitive concerns and summarized the results of the Division's preliminary investigation.

Amadeus is owned by Lufthansa, Air France, and Iberia Airlines. The Antitrust Division had received complaints from Sabre--a computer reservation system largely owned by American Airlines--that these airlines did not give Sabre many air fares on a timely basis, refused to provide it with certain promotional or negotiated fares, and denied Sabre the ability to perform certain ticketing functions, although they provided these fares and functions to Amadeus. Accurate and up-to-date air fare data and functionality, particularly from airlines that carry a large share of traffic, are critical for a computer reservation system to compete effectively.

"We believe there are indications that exclusionary conduct may be preventing U.S. companies from vigorously competing in computer reservation system markets in Europe," said Klein. "The European Commission is in the best position to investigate this

conduct because it occurred in its home territory and consumers there are the ones who are principally harmed if competition has been diminished. At the same time, we retain a strong interest in this matter because U.S. companies may have been blocked from becoming effective competitors and the exclusionary conduct might have adverse effects on U.S. markets as well."

The 1991 agreement between the U.S. and the European Communities provides that positive comity may be exercised by competition authorities in both jurisdictions. Under a positive comity referral, the antitrust agency of one jurisdiction makes a preliminary determination that there are reasonable grounds to investigate and then refers the matter to the competition authority in whose jurisdiction the anticompetitive conduct may be occurring. That competition authority conducts the investigation while keeping the referring authority informed of developments.

Although the Antitrust Division referred to the European Community its investigation of anticompetitive conduct in Europe, it will continue to investigate the possibility that similar conduct may be preventing U.S.-based computer reservation systems from competing effectively in a number of countries in South America.

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97-180

Market Access

[Draft of Suggested Revisions to Part 255.11]

- (b) The obligations of a system under this part shall not apply to any foreign carrier that operates or markets or whose affiliate operates or markets a global distribution system, if:
- (1) the global distribution system operated or marketed by the foreign carrier or its affiliate discriminates against the display of flights of any United States carrier or imposes discriminatory terms for participation by any United States carrier in its global distribution system, or
 - (2) the foreign carrier or its affiliate discriminates, or causes discrimination, against the system in favor of the global distribution system it owns or markets or imposes discriminatory terms for participation in the system or any of its enhancements,

provided that a system must continue complying with its obligations under this part until 14 days after it has given the Department and such foreign carrier written notice of its intent to deny such foreign carrier any or all of the protections of this part.

- (c) The Department may, after a complaint is filed with it against any such foreign carrier or its affiliate, and after an appropriate enforcement proceeding under 14 C.F.R. 302, et. seq., and in addition to any fines it may impose under 49 U.S.C. 43601, require mandatory sanctions be imposed by all systems operating or marketed in the United States against such foreign carrier or foreign carriers owning the discriminating global distribution system, including, but not limited to, cessation of display of such foreign carriers' flights and/or ticketing capabilities on such carriers.

[Draft of Revisions to 255.3 Necessary to Implement Revised 255.11]

Global distribution system means a computerized reservations system offered by a carrier or its affiliates to subscribers or consumers for use in or outside the United States that contains information about schedules, fares, rules or availability of other carriers and provides subscribers or consumers with the ability to make reservations and to issue tickets, if it charges any other carrier a fee for such system services.

Subscriber means a ticket agent, wherever located, including but not limited to a ticket agent as defined in 49 U.S.C. 40102, that holds itself out as a neutral source of information about, or tickets for, the air transportation industry and that uses a system or global distribution system.